Whitepaper

Unlock tomorrow with the power of SaaS

The technology that can secure the future of the non-life insurance industry

#UnlockTomorrow
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Keylane

Keeping pace with an evolving industry

The non-life insurance industry is changing rapidly.

Consumers today expect service to be instantaneous, experiences to be seamless, and processes to be simple. To support these customer demands, technological infrastructure should be agile, cost-effective, and easy-to-use. Businesses need to continue to be compliant and prepare well in advance for legislation updates in the future.

Being ready for that means laying strong foundations today, by embracing digitalisation and technology in the right way to reap the rewards tomorrow.

But where to start?

In this whitepaper, we discuss how the non-life insurance industry could flourish over the next few years by prioritising technology that can boost productivity and efficiencies, and give customers great end-to-end experiences.

We look at legacy versus standardisation in systems to see how digital transformation can cut slow manual processes and costly updates, and reduce time spent managing and maintaining often sluggish legacy systems.

We look at the flaws in on-premise systems and the technology that can help non-life insurance companies boost their speed, agility, and flexibility, and use automation to shorten the time to market for new products and services.

And we look at how the industry can develop peace of mind when it comes to managing the risks of the regulatory and compliance issues it is constantly facing.

Unlock tomorrow

Over the next few pages, we offer a clear path forward that can help insurers transform, and keep data safe, while staying compliant. This is an opportunity for the industry to feel empowered to face the changes ahead.

31%

The percentage of insurers who said they were 'extremely concerned' about the speed of technological change.

Insurance trends 2019, PwC, 2019

A business fit for the future

How legacy systems, a lack of optimisation, customer trends, and technology are already affecting the non-life insurance industry

Recent research by McKinsey & Company has revealed a disparity between the top performers and the rest of the industry: "The top quintile is taking all the industry economic profit with an average of $764 million a year. Companies in the middle three quintiles just barely made their cost of capital, while those in the bottom quintile lost an average of $976 million a year."*

The biggest differences between top performers and the rest of the industry is that the top performers are able to switch on multiple business levers at the same time, giving them a sustainable competitive edge. The levers with the biggest impact are: shortened time to market, lower cost ratios, increased productivity, and improved customer experience.

Since IT is at the centre of many of these operations, choosing the right software vendor with a strategy fit for the future is imperative.

The cost of legacy systems

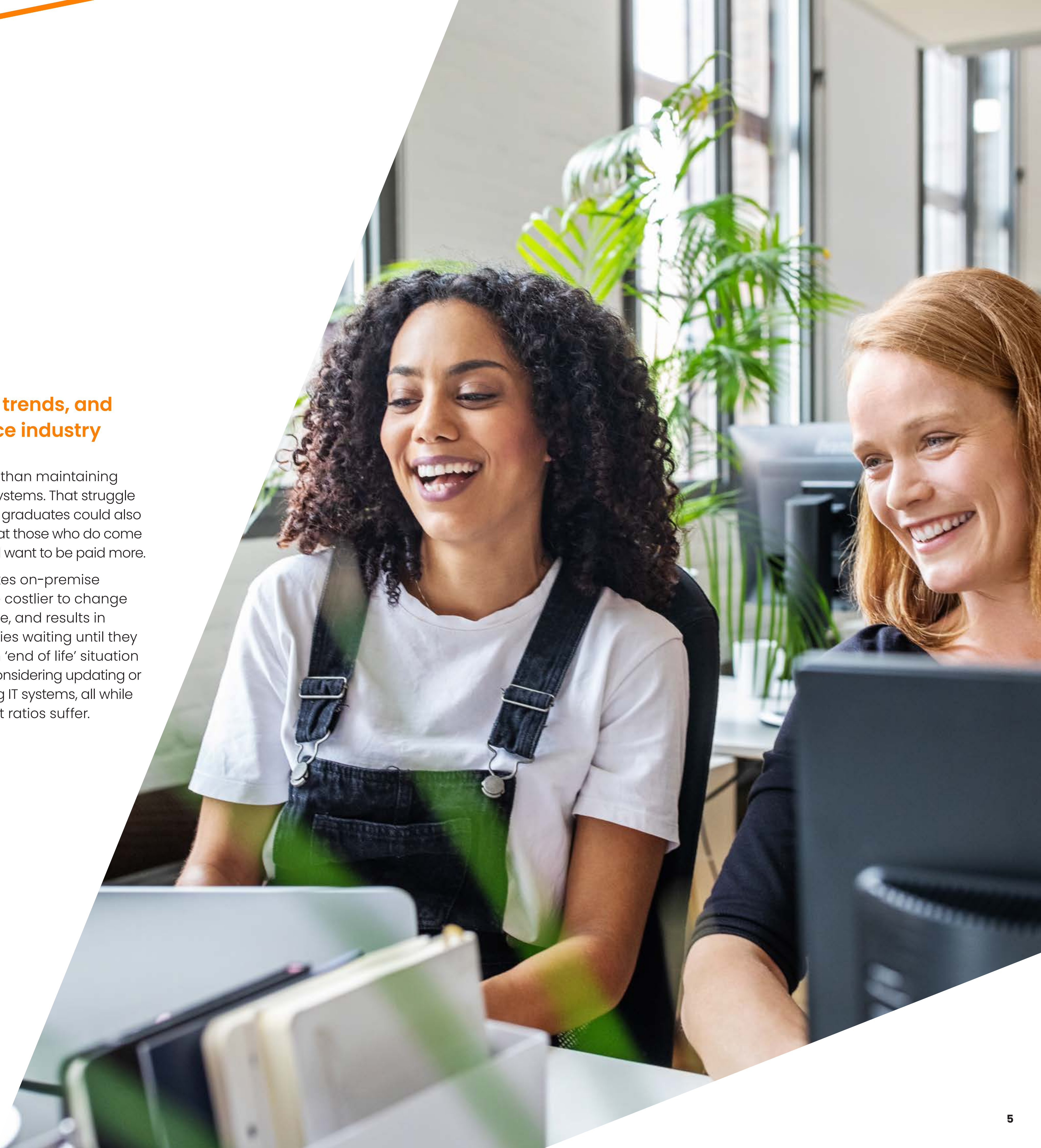
At the moment, many non-life insurance companies are still burdened by maintaining and managing a complex legacy IT landscape, comprising a number of self-built or heavily customised applications hosted on-premise.

When insurers use on-premise software, the onus is on the owner (specifically, the IT department) to keep it updated so it can be as compliant and competitive as possible. That is a big responsibility for the IT department, when companies would be better served thinking of updates asa critical business issue.

There is also a shortage of resources in the market to deal with maintaining legacy systems, meaning companies tend to pay much higher wages than usual. This is a shortage that is not going away any time soon; most of the available talent are more interested in working on new and innovative systems than maintaining legacy systems. That struggle to entice graduates could also mean that those who do come on board want to be paid more.

This makes on-premise software costlier to change or update, and results in companies waiting until they are in an 'end of life' situation before considering updating or changing IT systems, all while their cost ratios suffer.

The productivity imperative in insurance, McKinsey & Company, 2019



By now it is apparent that having on-premise legacy systems can cause challenges for CIOs and CFOs. Operations is even more badly affected, due to working with outdated systems which are difficult to upgrade, and only have a limited ability to automate manual work. When changes are made to the system, they are mainly focussed on compliance, not efficiency.

Having on-premise IT systems is a risky investment, particularly for non-life insurance companies, who need a cost-effective way to standardise IT and ease the burden of maintaining complex infrastructure. Simplifying the IT landscape should therefore be a priority as it can reduce costs and improve agility.

The customer of the future is already here

Consumers have been accustomed to a very different way of interacting with businesses outside of insurance and are demanding the same kind of experience from insurance companies. So, in a market where the bar is low for engaging customers, great experiences can be the competitive advantage companies need.

Matching these expectations with legacy systems is a challenge because they tend to provide a slower journey, taking customers across media, paperwork, and unnecessary face-to-face interactions. Changing these processes, if it is possible, is a costly process that requires lots of programming, interfacing and rounds of testing, leading to slower time to market – at a time when consumers expect speed.

Where to begin?

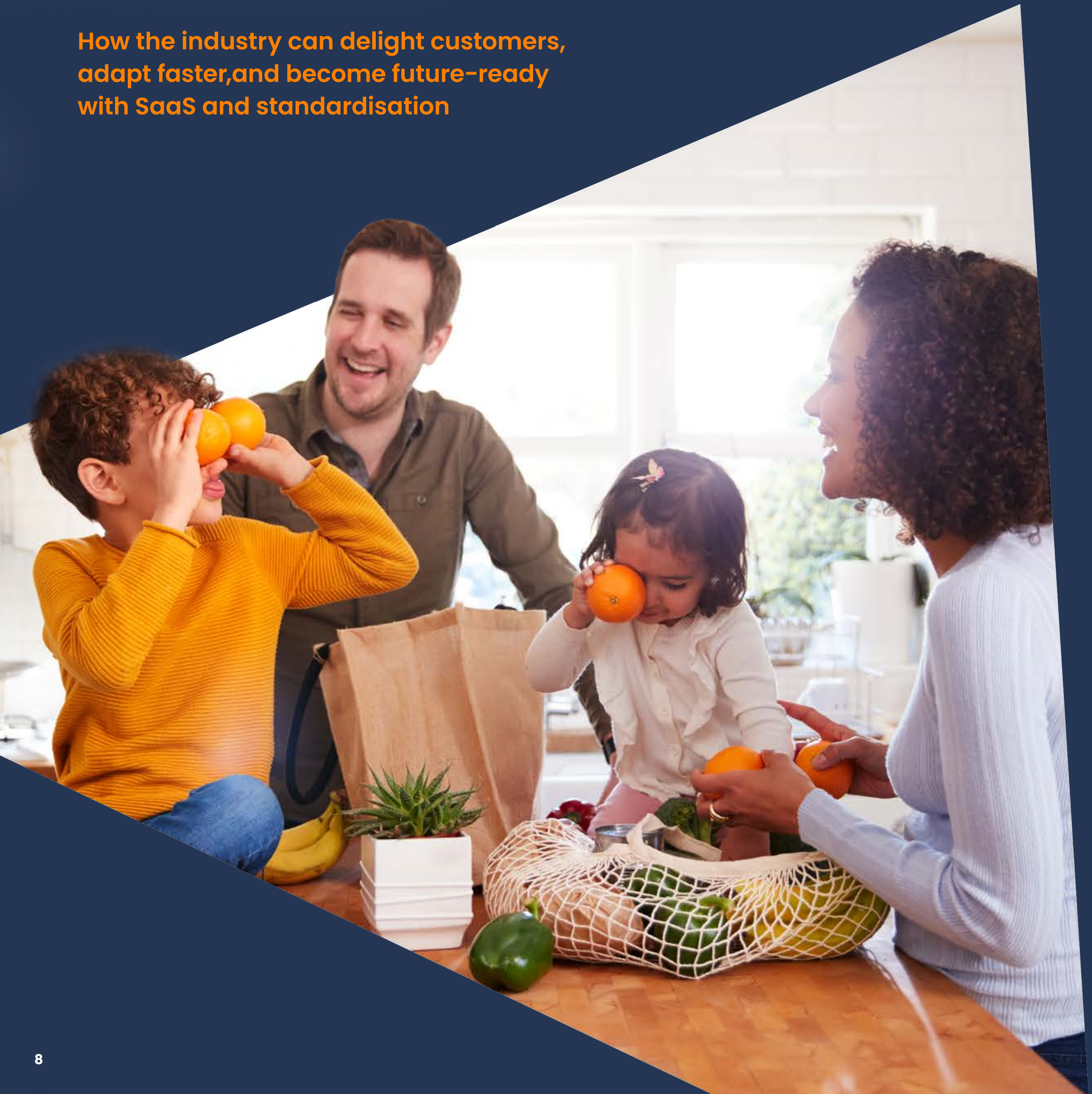
Non-life insurance companies can find it challenging to activate their customers and to meet their demands for a number of valid reasons: outdated mainframe and legacy systems consisting of multiple applications; a host of interfaces and data transition between apps; and changes to multiple systems and suppliers.

This uncertainty and lack of flexibility impedes the ability of companies to adapt to the market, keep customers satisfied, and get new and updated products out faster. It also contributes to a feeling that there is so much to be done, and so little time to do it – and that is not something legacy systems can help much with.

Insurtechs or speed boats of larger insurance groups have taken advantage of data analysis and new technology and are acting as trailblazers with more innovative solutions and better customer experiences. Non-life insurance companies can start to catch up by exploring the benefits of standardisation.

Digital transformation for non-life insurance

How the industry can delight customers, adapt faster,and become future-ready with SaaS and standardisation



Focus on core tasks

SaaS unburdens the entire organisation (IT and business) to focus on more critical tasks and client needs. That is because the provider takes care of a range of tasks, from hosting, technical application management, and releases, to regression tests and development.

More speed, more scalability

Combining SaaS with standardisation means upgrades can become more frequent, resulting in a shorter time to market. This allows companies to develop and deploy new product and features quickly – even across groups, companies, or foreign entities.

Lower costs

Sharing development infrastructure investments across companies means maintenance and development costs less, allowing for more investment in crucial areas and freeing up staff time. In addition, because it is a subscription-based licensing model, companies enjoy more flexibility from the service. And, of course there is no need to build and maintain data centres.

Simpler processes, happier customers

Standard platforms give insurance companies 100% digital end-to-end best practice processes to manage applications, policies, claims, and services, quickly, easily, and securely. They offer all the main parts of the value creation chain, in one core system. That means simpler processes and happier customers.

Customers can be served from any device, at any time, and independently from any distribution channel. And by increasing productivity and freeing up resources, companies can put people where they are most needed: in front of the client, developing other solutions, or working on customer satisfaction – the opportunities are endless.

A more flexible, more agile company

To be more flexible and agile, insurance companies need a better understanding of their customers, portfolio, and processes. The heart of a standard platform is a 360° customer view, providing real insight into customers and their behaviour. That gives companies the chance to better understand customers, spot opportunities, and risks faster, and stay ahead of the competition. Standard systems also offer built-in marts with real-time data, along with visualisation and predictive analytics. Having all this data makes testing new features or products more interesting, as companies get instant feedback.

Transformed business models

Standard SaaS platforms are open so that internal and external applications are easily integrated. This will often be a combination of standard interface-based SOAP (Simple Object Access Protocol) or REST (Representational State Transfer) architecture. The biggest changer is being able to develop plugins to extend standard functionality to outside parties. This will allow companies to evolve their business model independently from their core system vendor, to a more service-related one, creating a much stronger connection with their customers.

Future-ready by design

Having a standard platform that is based on modern language (Java) and is updated frequently means never having a system that becomes 'end-of-life'. Instead, all the performance, compliance, and security needs are constantly monitored and updated to match best-in-class standards.

Walking the line

Staying safe, secure, and compliant with SaaS

The last two decades have seen a sizeable increase in regulation for the non-life insurance industry, which means insurers are spending more time, money, and resources on compliance.

The EU Data Protection Regulation, for example, covers the use of individual data, underwriting, data portability, and the right to be forgotten. In addition, all companies in regulated regions must support the principle of treating customers fairly, by making sure customers understand what they are buying, and minimising the risk the products are unsuitable.

Regulations such as Solvency II have combined with already significant domestic rules and require effort on the part of non-life insurance companies, directing attention away from growth. The introduction of new regulations in 2023, such as IFRS 17, will require further work on areas like data management strategy and risk processes.

SaaS delivery of core processes is a critical outsourcing according to Solvency II. Our experience shows that the regulatory hurdle is lower than insurers assume.

Compliance with all of these should, if possible, be built into the insurance company's data processing and data management systems – and they need to be flexible enough to respond to rapidly changing regulations.

We also anticipate that, over time, the migration of insurance companies to more service-based offerings (many of which are not currently regulated) will attract the attention of regulators – particularly when it comes to conduct considerations.

"Compliance rules are very strict for non-life insurance companies, they spend a lot of time, money and resource making sure they are compliant."

Roy Smeets, Senior Vice President IT, PD, Hosting, Keylane

Taking a closer look

Regulatory and compliance issues are a challenge that executives face.

That said, increased regulations present a growth opportunity for some non-life insurance companies. It is easy to see a situation where the most adept could even offer regulatory insurance services to others in the industry and beyond.

The challenge for companies is configuring their product offerings, user experiences, and data quickly, to comply with different, ever-changing national policies.

The challenge of trust

Trusting an external supplier to keep data safe, secure, and compliant is a concern for non-life insurance companies, who are worried that they are relinquishing control of their data.

In fact, data security tends to be a key barrier to adoption for non-life insurance companies. This is down to the sheer volume of data, but also the fact that the information stored is often of an extremely sensitive and personal nature, making it a highly attractive target for criminals.

Business continuity is also critical. Companies need to be sure that any breach does not impact customer data and services, and that they can be recovered in the event of a service outage or disaster.

That goes some way to explaining why non-life insurance companies are taking extra care performing risk assessments when they look to invest in a SaaS platform; relying on an IT environment created in the cloud by an external supplier requires a lot of trust – even if that cloud is private and secure.

How digital transformation can help

Always up-to-date

Unlike on-premise options, SaaS cloud solutions have compliancy built into them. Their flexibility and agility help them instantly meet constantly changing rules, regulations, and industry standards, removing the difficulty and expense of handling them.

More peace of mind

Providers take care of updates, ensure policies and data security measures are future-ready, and guarantee an effective disaster recovery plan, taking the pressure off non-life insurance companies and reducing stress.

Unlock time and money

SaaS providers take all the burden of compliance, security, and regulation, leaving companies to focus on business growth, saving time, money, and resources, on complying with regulations.

Standardisation enables differentiation

Although counterintuitive, by using a more standardised platform companies are able to better differentiate themselves from the competition. Modern standard platforms are highly configurable and offer a plugin architecture that allows companies to go beyond the standard functionality to serve their customers in their own way.

Unlock tomorrow

The insurance industry is evolving fast and, as we have seen, adapting with it is the best way to future success.

By enabling non-life insurance insurers to place the consumer at the heart of their business, these tools can help delight consumers, transform businesses, and offer more agility, flexibility, and speed to market.

Get started with Keylane

As an industry-leading SaaS platforms provider, we have the experience you can rely on.

We work with you to develop safe and flexible solutions approved by regulators that meet changing industry demands and sharpen your competitive edge.

But we do not stop there.

We unburden our clients by taking end-to-end responsibility, leaving you free to focus on achieving your core business objectives.

Ready to unlock tomorrow?

Visit our website or contact our team to find out more about how Keylane can help empower companies with the power of SaaS.

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