Core system transformation
Helping insurers stay in the race

Citius, altius, fortius. Winter Games fans will recognize it as the Olympic motto. Swifter, higher, stronger. But it could just as easily apply to insurers looking to transform the core system requirements of their information technology infra-structures to score points with life and annuity customers.

Nobody, after all, expects a speed skater to settle for the standing record. There's usually room for improvement. That's the Olympic way. Likewise in a hyper-competitive global market, no matter how well insurers enable *straight-through processing* (STP) for the acquisition of new business, how quickly they develop and introduce new products, or how well they support distribution channels, they need – and want – to do it better. Or somebody else collects the market-share medals. It's that simple.

Consider this: *Speed to market* (new product development and introduction) is what enables insurers to attract customers with new features and benefits. In that context, customers can be a distribution channel or an end-client. Without speed to market, insurance companies operating in today's fast-paced marketplace effectively would take themselves out of the game.

The no-nonsense efficiency of STP can be looked at as the process by which customers can be quickly and consistently captured after they have been drawn to a new and interesting product; *ease of doing business* is what enables a firm to retain the client by providing superior

service to the distributor or end-client, often enabling the ultimate level of convenient service to the "Boomer" generation: self-service.

The Olympic-sized problem is that core systems, which typically store and maintain the mission-critical data required to successfully perform STP, speed-to-market and ease-of-use processes, often do not get the attention they require until other options are considered. And *without strong core system functionality, accessibility and exten-sibility, there essentially can be no more competitively differentiating process.*

Core systems can help insurers accelerate all three of those strategic business processes, but only if a core system evaluation is performed and legacy applications are not continuously surrounded by newer platforms. In that case, core systems can become disablers of progress.

Speed to market depends on the ability of insurers to sense needs in the marketplace, tailor a product that fits within certain risk management parameters, and then quickly load and test for efficacy. STP facilitates the delivery of near-realtime quotes, illustrations and issuance of policies that require not only integrated, rules-based underwriting, but also open processing of the admin-istration system to accept and apply new business in realtime. STP requires that customers, employees, business partners and suppliers be connected in an interactive and automated value chain based on open standards and streamlined processes.

Ease of doing business (also known as customer service) essentially is built on two main pillars. One is *people* – knowledgeable, friendly employees and distributors who treat customers with respect and responsiveness. The second pillar is *technology*. Without it, insurers have no integrated data network, no wireless connection to agents in the field, no Internet sales opportunities and no way to fully capitalize on the wealth of information to be found in customer data.

Data, in fact, is what successful 21st-century insurance is all about, and core systems are where it's stored. While banks may have taken the historical lead in formulating a consolidated view of customers and mining their data for all it's worth, it's fair to note that banking and insurance are different races. Complex actuarial, pricing, risk management and regulatory issues traditionally have put insurance on a longer, sometimes necessarily slower track. In the end, though, insurers' business goals are the same as bankers': swifter business processes, higher effectiveness and market share, and stronger product offerings and customer relationships.

Applies to both life insurance and annuities

By improving speed to market, boosting STP volumes and improving the ease of doing business, core system solutions can help add speed and strategy to the insurance side of the financial services house, particularly in annuities. In fact, annuity contracts are quickly becoming a key component of a well-structured retirement investment portfolio and represent one, if not the only, financial vehicle that offers a life-long income stream.

Because there often is no underwriting required, clients will shop annuity products more often than their life insurance and are therefore more likely to switch products for better features or benefits. That reality only highlights the need to effectively attract, capture and retain clients.

Core system transformation – Getting started

Generally speaking, core system transformation involves:

- Identifying weakest links in current processes and documenting a desired new state
- Improving key processes through the modernization or replacement of legacy systems
- Improving the quality and consistency of underwriting and risk management.

With projects of such complexity, a holistic view of transformation is often required, one that takes into account information technology (IT) systems, the organizational impact of change and considerations affecting strategy and deployment across not only applications but also infrastructure and data. Identifying industry best practices, understanding the starting point and mapping a path to the desired end state are vital to avoid costly mistakes and dead ends.

Along the way, and at a deeper level, insurers can expect to *consolidate and migrate data; renovate and integrate applications*; and *capitalize on the speed and efficiencies of the Internet.*

Consolidation and migration, for instance, will eliminate redundancies and modernize key software applications, reducing the complexity that often hinders the ability to perform key processes efficiently. Consolidating product versions can also lead to a reduction in expensive complexity, and migrating data into shared, enterprisewide repositories can improve data accessibility and accuracy, reduce IT staff workload and improve overall system performance.

Application integration across the enterprise forges a connection between applications and data, a key requirement for the reconciliation of inconsistent customer and administrative data. It also is critical to providing a common face to distributors and end-clients. The result is near-realtime access to more accurate data – a boon for better process management and more strategic decision-making. At the same time, a window is opened to more and better automation of routine business processes.

Web enablement can help extend an insurer's business functions to its customers and partners, optimizing data exchange and collaboration, and providing lower-cost customer self-service opportunities. Browser-based education applications also can help to reduce employee training costs.

Plugging the gap

By committing to and implementing a core system framework that is designed specifically for their industry and based on a service-oriented architecture, insurers can better align IT processes with their business strategy, allowing discrete, modularized applications to be plugged in as needed to support the changing business and regulatory environment. The benefits can include:

- Reduced cycle time from quote to policy issue

- Accelerated product development

- Integrated customer data to provide a full view of the customer relationship

- Streamlined workflows and fewer bottlenecks

- Realtime illustration, issue and administration capabilities.

Swifter business processes. Higher effectiveness and market share. Stronger product offerings and customer relationships. More and more, players in the insurance game are recognizing that core system transformation is a golden opportunity to deliver on what has become the Olympian task of generating profit and growing share in an increasingly faster and competitive global market.

About the author

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