WHITE PAPER

INSURANCE POLICY ADMINISTRATION

DON'T JUST KEEP UP WITH THE JONESES: GAIN A COMPETITIVE ADVANTAGE WITH INNOVATIVE PRODUCT LIFECYCLE MANAGEMENT

INSURANCE POLICY ADMINISTRATION

DON'T JUST KEEP UP WITH THE JONESES: GAIN A COMPETITIVE ADVANTAGE WITH INNOVATIVE PRODUCT LIFECYCLE MANAGEMENT

INTRODUCTION – KEEPING UP WITH THE JONESES

Several articles have been published over the past decade about innovation in the insurance industry and perhaps retorts of skepticism and inherent disbelief that such a notion is possible. Let’s face it, insurers never throw anything out including paper, systems and they have the most tenured staff across all financial industries.

So what exactly does innovation in insurance mean? Some pundits say its operational efficiency pointing towards frictionless transactions on iPhone apps; others promote new emerging technologies such as Cloud computing. To c-level executives, it’s about being competitive by attracting new customers, retaining talented employees and as Steve Ballmer of Microsoft recently commented from his latest CEO roundtable discussions; “with less, do more!” The bottom-line is that large insurers need to be as nimble as a small carrier specializing on niche market segments as well as being flexible enough to do business with Millennials on their terms.

The common dominator is the ability to address new market segments in a timely manner, with easy to use channels that allow for rapid growth. Innovation for insurers is the ability to create or adapt new consumers, products, markets and differentiation. This is not a new concept however; it is very counter-cultural for many conservative carriers who are risk adverse and reluctant to invest in a culture of change.

At the heart of the matter is the lack of a disciplined culture focused on Product Lifecycle Management. Product development has been the core differentiator resulting in success for the manufacturing industry since the industrial revolution. Product Lifecycle Management’s time tested techniques are now being applied to the insurance industry in the form of new product design and development. Analysts contend this emerging business trend will continue to offer the insurance industry a way to prototype new products and markets. Product Lifecycle Management accelerates time to market and provides new relevant products and services for producers.

According to top insurance industry analysts, c-level executives who shortlist Product Lifecycle Management as a strategic initiative will remain relevant, which will result in increasing a producer’s pipeline and creating new market spaces faster than the competition.

The old model of insurance has been pushed forward by automation for the past 40 years – future success will come from exploiting new models.

Shifting consumer buying trends

Over the past decade many consumers have been joining the ranks of online access to information and services. This trend has been dubbed the ‘Consumerization of Technology’ where roughly +1 percent of the world’s almost seven billion population possess technology that connects them to the internet. Nearly, everyone in the United States understands the meaning behind “there’s an app for that” and the simplicity in which apps be acquired and used. Simplicity and access is at the core of understanding the phenomena for the consumerization of technology.

We see other mega trends that have changed the way consumers want to acquire products and services through notable online brand names like eBay, Amazon and Craigslist. These online markets provide deep insights and community feedback creating reputational risk issues where Millennials are much more likely to share good (and bad) experiences. Moreover, this feedback information is pervasively displayed in the form of ‘reviews’ throughout the internet. This exposes attitudes about how consumers evaluate products and services.

This is also true of the news publication industry, now turned on its end having free access to real-time information replacing traditonal day-late paper based content. Ubiquitous access to information provides consumers with all the information they require to make educated purchasing decisions real-time. The millennial generation especially has no idea what life would be like without hand held devices giving them instant access to directions, the latest sports team scores and syndicated news feeds keeping them informed about headlines real-time. Texting is the new killer-app for real-time light weight B2C and B2B correspondence.

For the insurance industry, whether an institutional agent or broker, protecting wealth, or policy holders, satisfaction and 'perceived value' are directly driving both brand loyalty and buying patterns. Consumers are more informed than ever, expecting real-time access to data, best product quality, aggressive pricing levels, and excellent customer service. Carriers need to listen to customers more intently, in real-time where possible and tracking sentiment in the social networking spaces. Keeping an eye on Millennials spending patterns and online comments are priorities for carriers looking for ideas about new product development.

Carriers are also seeking how they can better use mobility, web and voice as tools to embrace these younger customers buying preferences.

Active and informed consumers across demographic groups reward non-traditional operators.

Product success through failure

Unfortunately, many carriers are not listening to their customers or producers and are unable to respond to new consumer demands regarding new products and services. It's not entirely the carriers' fault, especially within the United States where new products must be approved in all states before a new product launch. Industry benchmarks indicate carriers with limited Product Lifecycle Management capabilities can deliver one to two new products on an annual basis. Some better equipped achieve two to three semi-annual, and very few deliver products every 90 days. What is less understood is that many products may require slight tweaking for each market segment.

Comprehensive Product Lifecycle Management solutions should provide the ability to make small incremental changes to the master product catalogue by creating clone sub-sets for each products go-to-market launch. Best-of-breed enterprise Product Lifecycle Management solutions also align product design rules changes across underwriting, claims, issuance, and billing and commission and so forth.

Like the manufacturing industry, insurers need to find success through the evaluation of hundreds of new products in the form of prototypes. One noted author on the subject of Product Lifecycle Management, Henry Petroski, 'Success through Failure,' illustrates the paradox of design. His core theory is scaling application of queuing (it's all about information) and testing prototypes across systems (adding feedback) into the product development process. He prescribes using testing processes that have adequate business feedback to inspect failure rates and reasons in order to generate sufficient information to predict future prototype successes.

Success will favor carriers that recognize the power of collaboration and act on it sooner rather than later.

The question is how does the average insurance company producing two to three new products a year begin to develop hundreds of prototypes? Technology plays a critical role in meeting these challenges by allowing underwriters, actuaries, and marketing staff to electronically collaborate across disbursed locations. On average, any given carrier will be managing five to 10 new products in a given cycle. As few as one in 10 products ever see release to production. Carriers need a way of dramatically scaling up bench testing of product development projects by 50 to 100 prototypes simultaneously. Comprehensive Product Lifecycle Management solutions provide the scalability, change management and straight through processing testing resulting in improved product development cycles which helps increase both the number and quality of new product launches. Additionally, insurer's now have the ability to work with producers to refine prototypes with a better focus on customer needs.

Jockeying for market position

The vast majority of an insurance company's annual statements include some form of strategic initiatives calling for Product Lifecycle Management as a way of growing new business in soft-markets. Today, demanding higher rates is harder to come by and top-line growth is more difficult to achieve. And, of course, in 2008 the economy experienced a devastating meltdown driven by developments in the financial services industry.

Carriers are now cultivating skills and evaluating partners focused on accelerating product development processes in order to grow top-line, remain competitive with industry peers and reaching new and adjacent markets. Strategic statements indicate development of an innovation platform to enable our employees and agents to collaborate on generating new ideas for products and services that will keep the carrier competitive and at the forefront of providing specialized and valued products and services for customers.

Usually, it's the smaller nimble carriers who are able to respond more quickly to niche market segments, getting the early jump on opportunities. Larger carriers are typically held back by their inability to quickly mobilize their organization or lack solutions to prototype, test and quickly modify master product catalogs. Carriers need to meet both general market development as well as niche product design in order to quickly respond to competitive pressures in a fraction of the time.

CEO's are publically announcing their industry leadership strategy promoting innovation and experimentation to gain competitive advantage. The assertions are for new and adjacent markets such as GenXers and Boomers dealing with aging yet longer surviving parents will look to services that support convenience and quality care.

Producers want to promote advocacy over agency services. Product Lifecycle Management provides new business and enterprise models that redefine, restructure and extend the enterprise existing capabilities.

Innovation isn't a department, it's a culture.

These changes help executives pursue culture for change versus changing the culture. By embracing a new business model this breaks down traditional barriers that develop new business strategies with less operational friction. Many of these new products reassign individual responsibility, by transacting online in social market places that leverage new consumer models.

Differentiation is key to the strategy

In studying successful Product Lifecycle Management implementations, product managers point to best-practices as the baseline for understanding customers buying patterns, reaching new markets, and embracing producer stakeholders that creates lasting value through innovation and operational services.

In order to ensure continued success and improve effectiveness, the core functional areas that standardize industry processes across core collaborators and systems include:

- Product Mangers must think 'out of the box' by going beyond 3rd parties that benchmark against best of breed of peers and competitor's strategies. Some carriers are leveraging best practices from other industries by hiring seasoned professionals (e.g. manufacturing industry).
- Chief Operating Officers who strive for excellence achieve low-cost services while finding ways to ingrain innovation into every aspect of their operations.
- Chief Marketing Officer's want their staff to be motivated to reject the status quo—and to tempt new failure.

Organizational silos must be rejected and the skill, talent and creativity of people from different teams and different organizations around the world tapped:

- Understanding: Who they are – consumers, distributors, service providers, staff.
- Reaching out: Exploring and being creative around interaction with customers.
- Knowing: More than what is necessary to serve, grow and retain relationships.

Why the executive call to action? In an uncertain economy, carriers may exit certain lines of business, or seriously consider downsizing a division though consolidations. Departments with the high performing teams and capabilities will demonstrate consistent results that will dominate the winning criteria determining who remains in control and who is absorbed, or what lines of business will be sold or abandoned. This is certainly keeping executives on their toes.

Time to market has become more than just a competitive advantage in today's economy. It's all about corporate survival. Other market dynamics, such as aging producer organizations, are causing consolidations forming new mega Managing General Agencies thereby reducing competition and forcing smaller independents out of the market.

> We have developed an innovation platform to enable our employees and our agents to collaborate on generating new ideas for products and services that will keep us at the forefront of providing specialized and valued products and services for our customers.

Implementing innovation and culture for change

Carriers slow to adopt new Product Lifecycle Management capabilities are often surprised by their peers in the industry jumping ahead of the market by launching new products and services.

To highlight a key example:

Birla Sun Life Insurance Company Limited (BSLI) saw an unprecedented growth opportunity when the Indian insurance market opened to competition from private carriers. BSLI needed agile solutions that could respond quickly in this dynamic market.

The challenge was need-for-speed. Given the rapidly changing landscape in which BSLI competes, speed to market is essential. The company needs to churn out products quickly and make changes to them just as quickly as the marketplace responds. In addition, Indian regulators allow the introduction of more complex offerings, as rates change, or as the company finetunes product features in response to customer feedback allowing BSLI to adjust and adapt without engaging in new custom development work.

Senior management knew that a leap forward in IT capabilities was needed given the market opportunity BSLI faced and the need for speed in time to market. Several factors shaped the decision to take that leap.

The benefits provided all the product development and configuration capabilities to meet aggressive market timing. Moreover, BSLI found a partner prepared to support its business transformation.

Conclusion

Ultimately, carriers that are easy to do business with and deliver new innovative products addressing unique customer needs will provide the best value for new consumers, products, markets and differentiation. High-performance product design coupled with effective distribution, operational efficiency and business process management automation can help insurers improve financial ratios positioning their organizations for future success.

Implementing Product Lifecycle Management capabilities can help increase sales by significantly reducing bench testing cycle time, specifically across product research, definition validations, configuration designs, process developments, testing/maintenance, and deployment; increase customer value by dramatically improving product quality perceptions; increase personnel productivity and improve organizational alignment for both captive and independent producer networks.

Why shortlist Product Lifecycle Management as a top priority now? The post economic crisis has positioned insurers to work harder than ever to remain competitive and profitable. Many carriers interested in Product Lifecycle Management innovation are investing in new solutions that streamline the underlying operational process to automate product-development processes. Carriers who can make these transformations will find themselves with loyal producers, fresh relevant product lines and more satisfied customers because of proper product fit and access.

After a decade of reading about innovation for insurance, the time is right to engage Product Lifecycle Management disciplines as a strategic competitive advantage proving that such capabilities are real and now possible.

About FIS' Solutions for Insurers

FIS empowers insurers across life and annuity, health, property and casualty business lines with solutions that support their end-to-end process needs. Our integrated products and services enable companies to increase system and process efficiency, control costs, manage risk and capital better, improve business decisions, design more competitive offerings, and engage successfully with their customers. We provide comprehensive support across the functional ecosystem, including actuarial and risk, finance and accounting, investments, reporting and compliance, policy and claims management, and member services. FIS partners with insurance firms at over 1500 sites in more than 65 countries, helping them to stay ahead of change and meet their goals.

About FIS

FIS is a global leader in financial services technology, with a focus on retail and institutional banking, payments, asset and wealth management, risk and compliance, consulting and outsourcing solutions. Through the depth and breadth of our solutions portfolio, global capabilities and domain expertise, FIS serves more than 20,000 clients in over 130 countries. Headquartered in Jacksonville, Florida, FIS employs more than 55,000 people worldwide and holds leadership positions in payment processing, financial software and banking solutions. Providing software, services and outsourcing of the technology that empowers the financial world, FIS is a Fortune 500 company and is a member of Standard & Poor's 500® Index. For more information about FIS, visit **www.fisglobal.com**

www.fisglobal.com

twitter.com/fisglobal

getinfo@fisglobal.com

linkedin.com/company/fisglobal