

Insurance platformification – A necessity for insurers with the changing ecosystem



Abstract

As customers grow ever-more discerning in their expectations for a delightful user experience, innovative insurance products, and simplified policy processing, insurers realize how inadequately their legacy administration platforms meet their customers' expectations. Making matters worse is the speed at which customers provide feedback, or express their opinions on social media, regarding their insurers' services. If traditional, situational, growing, and foreseen challenges are also added to this situation, it is easy to understand why insurers must adopt platformification of their policy administration systems (PAS).

This paper discusses the challenges and the necessity of digital technologies in the insurance sector, and also touches upon the important aspects that insurers should consider before embarking on their platformification journeys.

Introduction

The recent pandemic and its aftermath affected everyone across the whole globe uniformly. The whole world, figuratively speaking, was left high and dry. Globally, businesses were adversely affected throughout 2020, and insurers were no exception. Already hit by volatile economic conditions in the pre-pandemic times, the outburst of COVID-19 proved to be the litmus test for insurers' digital readiness, including the capabilities of their policy administration systems to support no-touch transactions and end-to-end remote servicing.

Business challenges

Beyond traditional challenges, such as increasing costs, high customer expectations, and increasing regulatory compliances (see Figure 1), a slew of new challenges are impacting insurers' abilities to service clients with their existing PAS. These include situational challenges such as COVID-19, and the financial instability they trigger; growing challenges such as the expanding insurance ecosystem, the rise of new technologies, and competition from insurtech; and foreseen challenges such as the demand for new products and coverages, and increasing mergers and acquisitions.

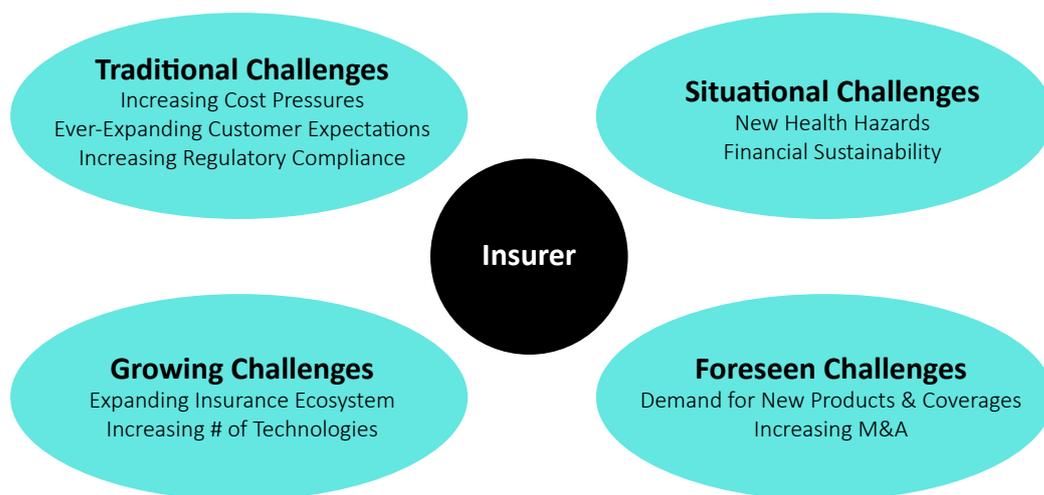


Figure 1: Challenges of an insurer in the new decade

Platformification offers the only means to rise above these challenges. Simply put, this means bringing PAS and related services onto a single platform that is digitalized, integrated, modularized, automated, configured and governed.

Benefits

Platformification calls for in-depth planning by insurers to stay ahead of the competition. A digital insurance platform's benefits include unified insurance solution, reduced cost of policy administration, upgrading technologies on the move, distributing risks, quick product launches, and easy product configurations, among others.

The following sections talk about using Platformification for reimagining digital insurance platforms in this new decade.

Platformification journey – Insurers' positioning and recommended approach

Based on their appetite for platformification, insurers can find themselves at different stages of this journey. On this basis, policy administration systems in insurance can be broadly classified into four categories:

- 1) Monolithic legacy PAS
- 2) Multiple, internally evolved PAS
- 3) Modernized/undergoing modernization PAS, and
- 4) A combination of multiple off-the-shelf PAS

Policy administration systems in insurance are usually developed over a long period on legacy technologies, and continue to exist within the same framework, creating a monolithic legacy policy administration system. The other categories of insurers have their PAS modernized/undergoing modernization or have a combination of multiple off-the-shelf PAS or multiple internally evolved PAS. Each of these approaches prevents insurers from achieving complete platformification, owing to their inability to tackle factors such as large customer base and data volumes, disparate and incompatible technologies, and time and cost inefficiencies.

While the first category (monolithic legacy PAS) of insurers would remain unsure of how and where to start, the second category (multiple, internally evolved PAS) would find themselves grappling with the adverse effects of maintaining multiple PAS. The third category (modernized/undergoing modernization PAS) might have failed to reap the benefits of modernization due to its long duration, which would make them reconsider its relevance. Finally, the fourth category (a combination of multiple off-the-shelf PAS) might be in limbo owing to unique challenges such as no single go-to-market (GTM) strategy, many interfacing incompatibilities, high cost, no uniform customer experience, and training issues - to name a few.

To address all the challenges and yet remain competitive, insurers must properly plan their platformification journeys. As such, platformification extends beyond implementing some digital features, executing a few technology transformations, or developing some new integrations across policy administration systems in insurance. As depicted in Figure 2, platformification is the process of PAS being fully digitalized, externally integrated, systematically modularized, completely configured, and securely governed. To achieve this, insurers must consider their current stage of platformification, do a due diligence exercise and arrive at a blueprint for the journey.

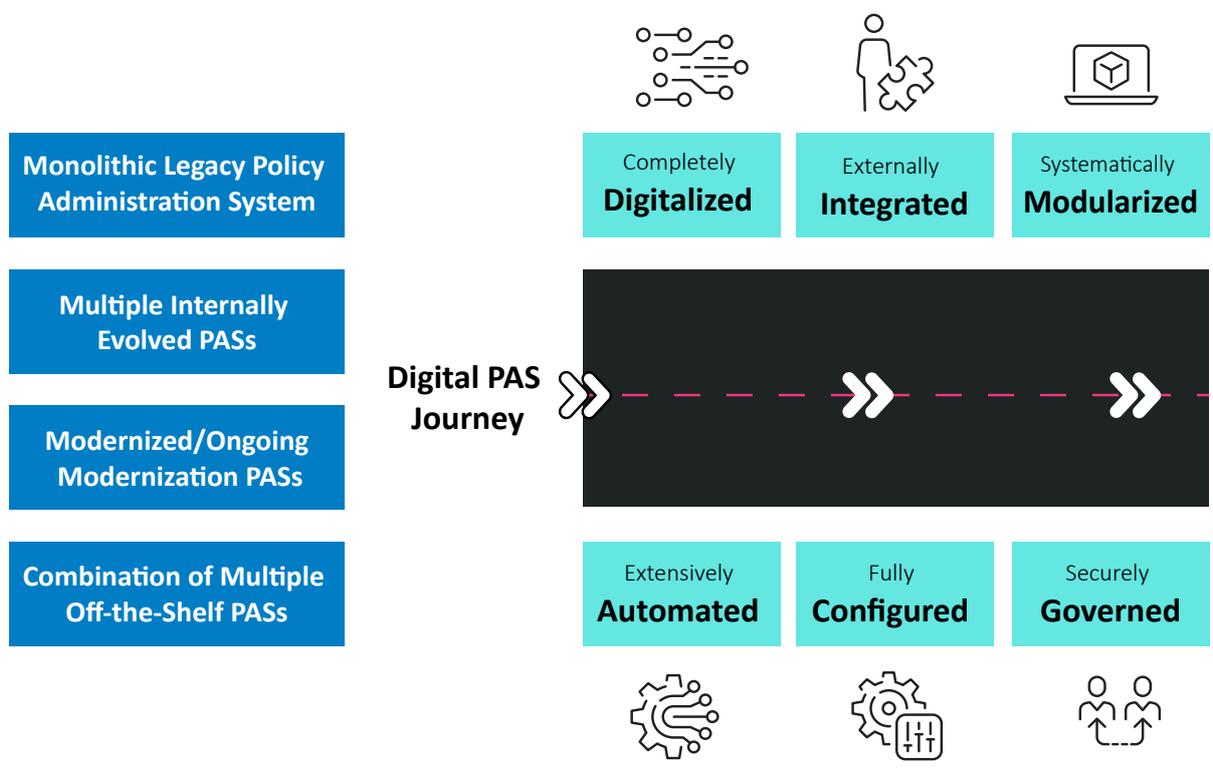


Figure 2: Insurance platformification

Platformification – recommendations

With many years of experience in implementing policy administration systems in insurance, we believe that platformification is key to success in this new decade.

Hence, while embarking on their platformification journeys (see Figure 3), we recommend insurers to focus on the following aspects:

1. Experience is a critical aspect of PAS, and new technologies need to be leveraged to generate portals for all stakeholders – customers, agents, employees, service representatives, and employers. Experience differentiators, such as minimized data capture, integrated data autofill, customizable/analytics-driven presentations, and accessibility-supported portals, carry as much weightage as the front-end experience of the portals. Moreover, this ever-evolving layer must be implemented through the plug-and-play methodology.

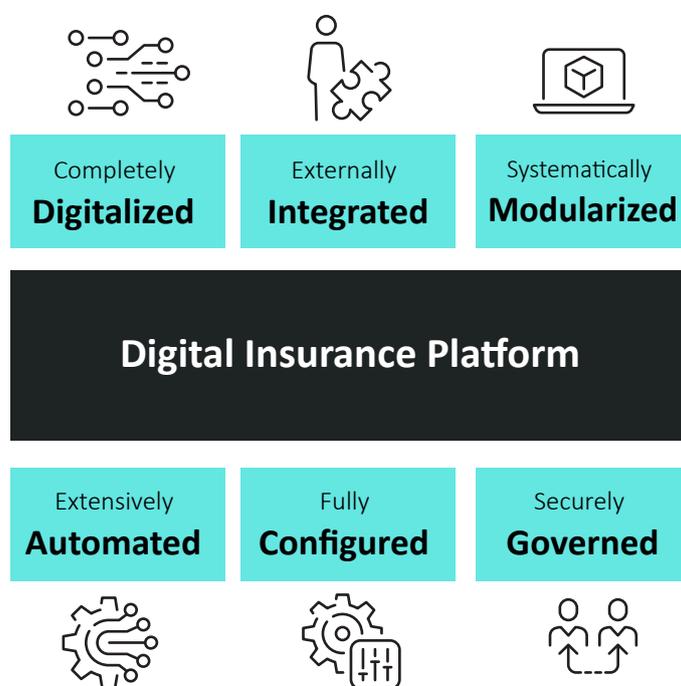


Figure 3: High-level view of platformification

2. Just as efficient internal integrations in an enterprise are a norm, so too became the pre-built external integrations, since they are key to accommodate the changing insurance ecosystem. These integrations should facilitate seamless working among various business partners an insurer has, such as various sales and customer services through fintech integrations; application submission through e-apps, DTCC (Depository Trust & Clearing Corporation) integrations; data verification/validation through various service providers; reporting and reconciliation with industry bodies and financial services organizations. Each geography will have its own set of industry ecosystem participants that provide these services. The insurance platform needs to be flexible enough to support region-specific requirements.

3. While the systematic modularization of the core policy administration system is architecturally essential, it is also critical for other modules (experience, analytics and insights, regulatory compliance) to be modularized, as well. This will ensure that their modernization can happen in isolation, or they can be replaced with minimum disruption to the platform. Hence, APIfication (communicating using APIs) plays an important role.
4. In the world of quick GTM and straight-through processing (STP), the automation of business processes, build-deploy-test (BDT), and exceptional customer service play a vital role. Automation at all stages of platformification is made possible due to digitalization and the proliferation of multiple open source technologies.
5. While the quick deployment of a new change is important, configurability of changes, such as product configuration, easy front-end configuration, and self-service configuration, is equally critical. A regular look into this aspect is essential for the betterment of PAS.
6. Finally, platformification is incomplete without proper governance to handle risk categories such as business continuity plan (BCP) or disaster recovery (DR), information and data security, and external/internal fraud. This also ensures compliance, audit, and multiple levels of controls.

Conclusion

This paper focuses on the need for platformification of insurance PAS in this new digital decade. It highlights the current business challenges insurers are facing, and how leveraging digital technologies in insurance can help them address these challenges. Also, it talks about different categories of insurers based on their current stage of platformification and provides a few critical recommendations to develop a digital insurance platform to stay competitive in the market.

About the author

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