



INSURANCE BUSINESS & COTS PRODUCTS : A PERFECT BLEND FOR OFFERING AGILITY AND FLEXIBILITY



Executive Summary

Insurance has become more inevitable in our everyday life. That's why all the forward looking insurance clients are determined to move ahead in the business by helping customers complete transactions end to end within the quickest possible time. Major US Insurance carriers such as Allstate, American Family, USAA, Allianz, Northwestern Mutual, etc. are busy in

introducing new contextual (market-driven) products and provide the best-in-class digital solutions to their customers (both internal and external) across geographies.

In this PHYGITAL (Physical + Digital) world, one set of Insurance companies have in-house software platforms developed and maintained by their internal IT teams in association with third party vendor(s) supplementing clients' business. However,

other set of companies rely more on readily available COTS (Commercial Off-The-Shelf) products/ suites available in the market with a label of their brand identity on top of these products.

In this article, we focus on the growing adoption of COTS products among risk carriers, the reasons behind such a trend and how Infosys is playing a role in creating such an ecosystem more sustainable.

Growing adoption of COTS products

Carriers are under pressure to find innovative ways of growing revenue and reducing cost. That's why insurance companies are exploring myriad effective avenues to digitalize their businesses at every touchpoint in the value chain. The future growth story of insurance companies will be shaped around the following premises:

- Improving customer/agent/broker/ adjuster experience
- Increasing the wallet share through up-selling and cross-selling opportunities by tapping into digital savvy customer segments
- Introducing new products at breakneck speed

Growth :

- Better user experience
- Increase cross-sell and up-sell
- Reduce time to market



The big insurance carriers are finding difficulties in innovating as they have so much to deal with already – legacy issue and industry headwinds like data security and ever changing compliances like CCPA (USA), IFRS17, GDPR(UK) etc.,. However, they want to be in the game right now and stay relevant in the future just like their glorious past. This is where the opportunity in the insurance industry lies across various economies.

The global market for Policy Admin Systems is expected to touch a \$12 bn mark by 2020, would capitalize on this occasion. The established players like Guidewire, Duck Creek, Majesco, Oceanwide, Infosys McCamish etc. and the new entrants like Itello, IBA, etc. are looking to solve problems aggressively for insurance companies through technology so that they can focus on making their core business in line with change in customer behavior, risk factors and climate.

Cost Reduction :

- Drop in customer acquisition cost
- Reduction in operational expenses
- Reduction in Risk to Capital cost
- Decline in loss



What is driving such a trend?

The future growth story of this industry will primarily be driven by three pillars: partnership landscape between SI vendors and COTS players, Ability to deliver at scale with flexibility to ramp up and ramp down and agility of the vendors. The hallmark of a successful IT strategy for all the involved parties is expected to rest on these pillars.

The popularity of COTS products/ platforms is increasing day by day as these are driven

by innovative teams using cutting edge technologies and looking to solve existing problems in the industry. It has been observed that almost all these companies are promising agile, flexible and reliable insurance platform which can be scalable and configurable to make the business more customer-centric. In the near future, capabilities like chatbots for better customer engagement, smart visualization for all users, AI-driven prescriptive engines, IOT-led connected objects or platforms on blockchain are going to be of paramount importance. That's where the new-age companies like IBA, Itello, etc. are making a good impression in the market by sensing the needs and delivering solutions.

Three pillars of a successful IT Strategy:

- **Partnership** - Partnering with technology companies for a collaborative ecosystems
- **Scale** – Scaling the business across different lines of businesses and geographies
- **Agility**- Reducing the time to market for a new product or quicker claim settlement

A Swedish insurance giant is using fadata's insurance software solution 'INSIS' in partnership with Infosys. They are now equipped with far more competitive product line and faster launch of new products.

One of the largest insurance and asset management companies in The Netherlands with annual revenues of \$

18+ bn improved its operational efficiency as well as cost efficiency by moving as a result of maintaining all its the traditional life policies (~3.0 million) into SOLIFE (from Vermeg) after harmonizing their product portfolio. There are more stories like that of an insurance giant Swiss Re setting up an Insurtech accelerator in Bangalore, India to help start-ups develop interesting products and services.

Leading trends among InsurTechs

- Big data / ML
- Software as a service/ cloud
- Usage-based insurance
- Internet-of-things
- Robo-advisory
- Gamification
- P2P insurance
- Blockchain
- Micro-insurance

SI (System Integration) vendors – an important role to play

At times, insurance companies struggle to decide the right COTS product as part of their IT strategy to be the next Adaptive Enterprise. At such a juncture, organizations like Infosys come to their rescue and help them not only to pick the right insurance application and align a road map with their strategy, but also be a true partner in integrating the systems, migrating the data and supporting their end to end business.

We undertake assignments to solve the puzzle around BUY and go the extra mile

to recommend one, keeping in mind the result of cost-benefit analysis towards the modernization journey, scalability and speed to market for such initiative and beyond.

Infosys recently came up with its unique indigenous Vendor/ Product Selection and Evaluation Application to enhance clients' decision-making process. The application is powered by Infosys's experience as a global partner with insurance companies and InsureTech firms across geographies and various lines of business and driven by a time tested selection and evaluation framework.



Infosys's Vendor/Product Selection and Evaluation Application has a simple UI for the user. In a matter of clicks one can get a list of vendors ranked based on predefined and client-defined parameters. It makes decision making not only fast and hassle-free, but also enable user with features like market trends in insurance space. This is an one-stop solution/ information for various teams stationed at different geographies as they get curated content without even spending hours and days looking for similar content. The living database has been nurtured by product teams with continuous feedback from customers, vendors, industry principals, latest Industry reports, etc. resulting in a combination of demand-generated customer insights and supply-side data.

Conclusion

The top 10 insurance software vendors account for around 40% of the global insurance application market and we hope to see new-age companies shaking this number soon with their hyper-scale platforms.

As the trends driven by advanced technologies are shaping the insurance market, the InsureTech firms are quick to

pounce upon newer ways to solve existing problems which at most times are specific to users, specific to value chain or specific to consumers. Therefore, for an open-source - data ecosystem to set in quickly, Insurance companies with all their data banks need to join hands with the Smart companies (for their Technology acumen) of the 21st century.

But the future is uncertain and as the

changes in the technology landscape are very fast, insurance companies will have to relook at their partnerships in every eight to ten years and this duration will be smaller and smaller in times ahead. Moreover, the insurance application market is expected to come up with great canned software to meet the existing underlying needs, which – improved customer experience, faster time to market and better scalability.

About the Author



Swetraj Das, *Senior Consultant*

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For more information, contact askus@infosys.com



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