EIS

Protection's Big Business Opportunity Amongst Regulatory Changes

Embracing Consumer Awareness, Regulations, and Technology Advancements

Contents

In the not-so-distant past, protection insurance could afford to be a fairly sleepy industry. Not that a lot of important work wasn't being done, but the group protection policies and how the insurance companies behind these policies operated could go on with their business, largely escaping major public discussion.

In the last few years though, that's all been changing. Rapidly.

Consumers have become ever-aware of their work-life balance and financial stability, governments are passing regulations to help consumers make sure they aren't being taken advantage of, and the advancement of technology is leaving even the most technologically-adept people a little breathless.

Insurers and employers are both feeling the pressure, and in this overview, we'll dive into the shifts in the protection industry, how the different opportunities and challenges juxtapose against one another, and the kind of core technology forward-thinking protection insurers will need to keep pace.

Protection's Consumer- and Government-Driven Demands

PROTECTION'S CONSUMER- AND GOVERNMENT-DRIVEN DEMANDS

Markets are always in a constant flux of give and take with consumer demand, but there are some particularly interesting things happening with this phenomenon in protection insurance, which poise forward-thinking insurers to snatch the opportunity, gain market share, and benefit from technological agility for decades to come.

These are the main forces of consumer demand fundamentally changing what protection insurers need to offer:

Greater awareness and demand for protection products

New regulations leading to a customer-centric focus

The digitalisation and automation of everything

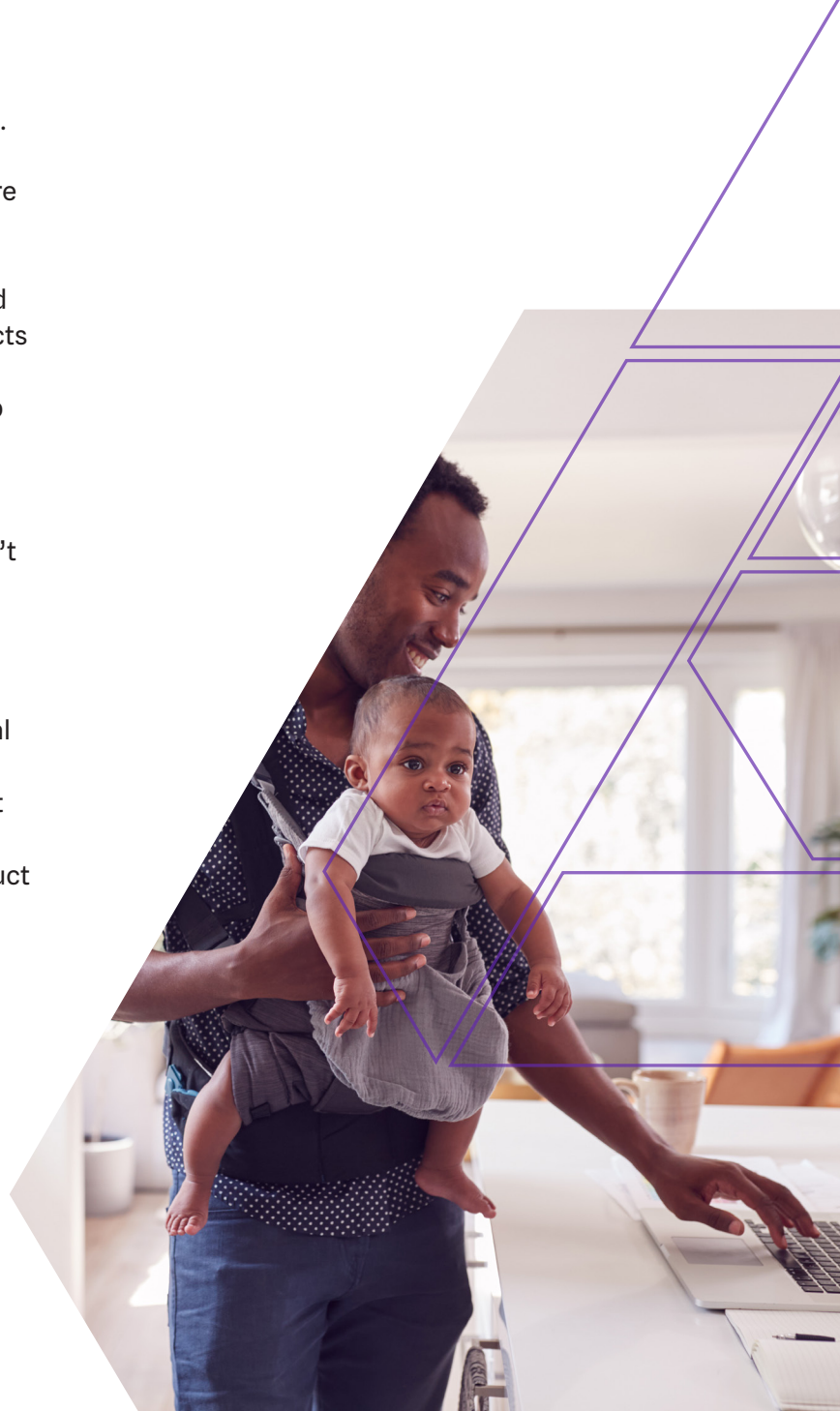PROTECTION'S CONSUMER- AND GOVERNMENT-DRIVEN DEMANDS

Greater Awareness and Demand for Protection Products

With significant, worldwide events like the Covid health crisis and sharp hikes in cost of living due to inflation, consumers are wanting to take action on work-life balance, financial sustainability, and their overall health.

Paired with the large-scale workforce talent shifts where workers favoured companies with more flexibility and better benefits, the pressure is on for employers (and insurers) to provide protection packages that go beyond the basics and include bigger-picture protection products like life insurance, income protection in case of an accident or health crisis, and non-financial perks to help with work-life balance or mental health.

Historically, though, the monolithic technology that underpins most protection insurance companies doesn't offer the kind of agility needed to get new products and packages to market quickly.

If an insurer wanted to add income protection products to their portfolio, for example, or add a new occupational class to existing income protection products so there's less ambiguity for customers on what's covered, all that coding and execution would take ages. Future-focused coretech, on the other hand, makes these kinds of product updates a cinch.

PROTECTION'S CONSUMER- AND GOVERNMENT-DRIVEN DEMANDS

New Regulations Lead to a Customer-Centric Focus: FCA Regulations Are Not a Zero-Sum Game

Living up to their name, the Financial Conduct Authority (FCA) works hard to make sure financial companies, like protection insurers, prioritise customer interest over corporate profits.

Fortunately, though, customer interest vs corporate profits are not a zero-sum game, and the two actually go hand-in-hand: the more you're able to cater to personalised customer needs, the more loyal your customers become, and the more opportunities you have to cross-sell and upsell in a way customers appreciate.

Taking the recent Consumer Duty for example: financial firms are now required to communicate regularly with their customers on the financial products they've purchased and allow them to review if those products still fit their needs. This presents a customer-centric business approach that fits hand-in-hand with the consumer desire to know more about their options in protection insurance, and with today's customer-centric technology.

If an insurer has a core system with event-driven and data-driven architecture, it becomes second nature to automate personalised communications when major life milestones are passed (home purchase, marriage, new baby, a milestone birthday, illness, new job, etc.). These communications help you meet the FCA's rules of protecting customer interest, while perfectly timing your cross-sell and upsell offers.

PROTECTION'S CONSUMER- AND GOVERNMENT-DRIVEN DEMANDS

The Digitisation and Automation of Everything

Technology and software have been advancing at warp speed for some time now, to the point that real-time, customised communication is the baseline of what customers expect when interacting with businesses of any type.

This is very prevalent with insurtech, where insurers can plug different solutions into their operations to improve customer experience or get an ROI on streamlining processes like underwriting or claims.

However, insurtech solutions that focus on one specific process or cluster of processes can only take your digitisation and automation so far, especially when they're paired with legacy or "modern" legacy core systems. When new digital solutions are patchworked together onto a core that wasn't architected to seamlessly integrate with ecosystem data providers or to be an event-driven platform based on data collected, insurer IT teams end up with a lot of tech debt stealing their bandwidth with baseline maintenance rather than focusing on business-improving initiatives.

Technology opportunity: We'll talk more specifically about coretech architecture later, but as you can see, old, legacy technology typically used to run protection companies isn't going to cut it for the future of protection insurance. Core systems of the future need to be customer-centric, have truly open APIs, and a cloud-native architecture to work well with all the other cloud-native technology that's driving today's world, which EIS coretech provides.

Opportunities & Challenges in Protection's Consumer-Driven Market

EIS™®

OPPORTUNITIES & CHALLENGES IN PROTECTION'S CONSUMER-DRIVEN MARKET

With the sustained changes making protection insurance more consumer-driven, there are key challenges and opportunities for insurers to look at. The ways these opportunities and challenges juxtapose against one another are especially unique, and if you look closely, you can see how they'll determine the long-term winners from the losers.

Dual System Operations vs Customer Centricity & FCA Compliance

Most core systems for protection insurance simply aren't built to handle both individual and group policies: it's an either/or situation. So, you're either forced to choose one policy type and lose out on business in the other, or deal with two separate platforms, which means twice the operating cost and complexity in customer management. Plus, it hampers your company's ability to be agile and adjust to the market quickly.

But since both customers and companies want more agility and portability with customer protection records, it's a problem that needs solved. Ambitious protection insurers will solve it, while those dragging their feet about it will be left in the dust.
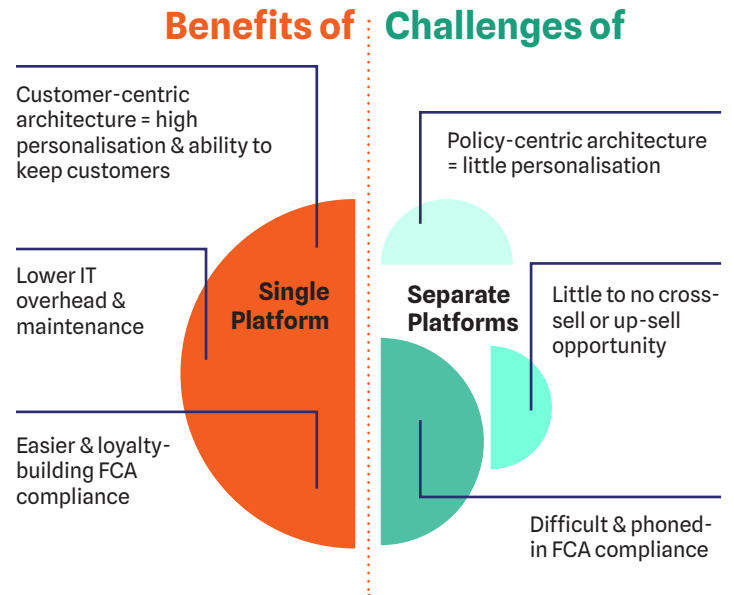
Interestingly, solving this problem with better system architecture also helps you solve the problem of being customer-centric in your operations, so you can better-serve individuals and easily stay in line with FCA regulations.

OPPORTUNITIES & CHALLENGES IN PROTECTION'S CONSUMER-DRIVEN MARKET

A customer-centric architecture gives you the freedom to combine workplace and personal protection products together, and to keep your customers and their chosen protection products no matter their employment status: freelance, made redundant, unemployed, part-time worker, etc.

Further, by placing the customer at the centre of your operational model, like coretech from EIS does, all data revolves around and attaches to a customer's record, so you get a full, 360-degree view of your customers, the policies they purchase (whether part of a group plan or individually), and what life events might affect those policies. This gives you the perfect launching pad to leap into real-time, event-driven communications to keep customers abreast of their coverages, and allow them to make adjustments based on their changing needs... making the FCA very happy.

Benefits of **Challenges of**

Customer-centric architecture = high personalisation & ability to keep customers

Lower IT overhead & maintenance

Single Platform

Easier & loyalty-building FCA compliance

Policy-centric architecture = little personalisation

Separate Platforms

Little to no cross-sell or up-sell opportunity

Difficult & phoned-in FCA compliance

Future-Proof Agility vs Perceived Migration Complexity

"If it ain't broke, don't fix it," right?

Ermmm... sort of.

No one can blame protection insurers for being weary of the complexity involved in migrating customer records to a new system. It's no wonder the market as a whole has preferred plug-in insurtech solutions over a core system upgrade, especially since many of those insurtechs can give a decent ROI fairly quickly.

However, with multiple modern legacy systems in the protection space reaching end-of-life and fundamental technology advancements happening, the practicality of keeping older core systems running is a ticking time bomb. (Not to mention how hard it is to find good IT talent willing to work on such old technology.)

End-of-life platforms have an expiration date, and insurers using those systems are between a rock and a hard place: go along with the expensive upgrades the vendor company suggests, or go to market and **nitpick the different platforms available** to find the best architecture for your company's current and future needs.

This is particularly true with legacy products that sit on legacy policy systems (like old life insurance policies): there's a lot of unique information to duplicate that can take ages if you choose the wrong vendor or architecture to move that information onto.

OPPORTUNITIES & CHALLENGES IN PROTECTION'S CONSUMER-DRIVEN MARKET

However, when you find a vendor technology with a strong ability to accurately duplicate data, ingest data from multiple sources, and translate it into the needed formats, the seemingly overwhelming migration work becomes a lot more manageable.
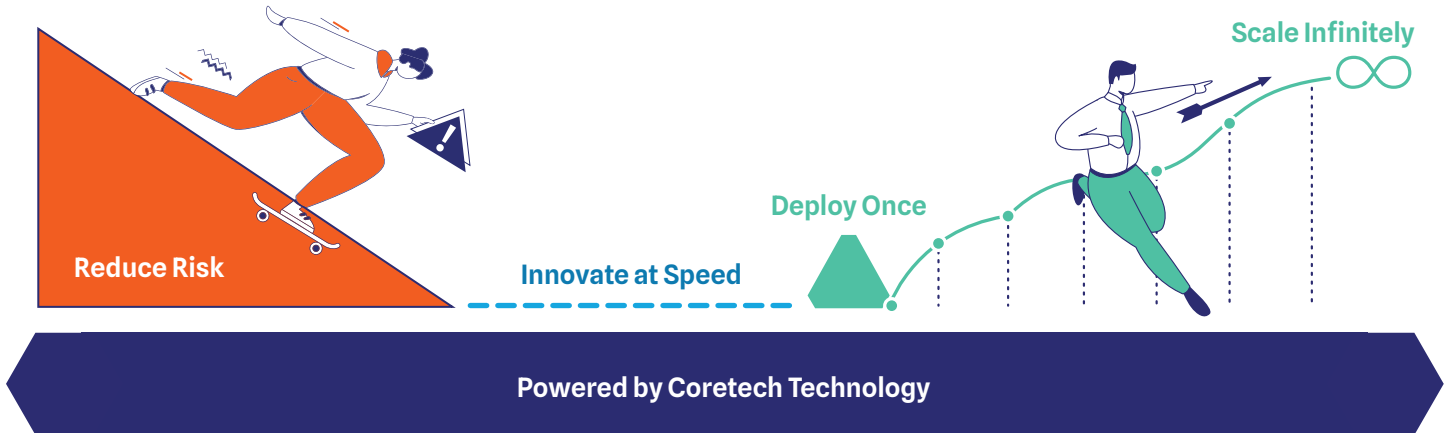
Further, getting that future-proof agility so many protection insurers crave doesn't require an all-or-nothing approach. Greenfield projects on cloud-native architecture let you spin up and sell new, market-adaptable products while you migrate piece by piece onto the new system in the background.

When you start working on coretech that's cloud-native, customer-centric, and has scale-based agility because of its microservices architecture, you start to see an even bigger ROI than any insurtech solution could give you: better data exchanges, smarter automations, better underwriting, automated fraud detection, and more robust product packages make for a significantly lower cost per policy, bringing total cost of ownership (TCO) and tech debt down significantly over time.

OPPORTUNITIES & CHALLENGES IN PROTECTION'S CONSUMER-DRIVEN MARKET

Lower Cost Per Policy vs A Price-Driven Protection Market

As a result of the protection market becoming more consumer-driven, information on protection products and their rates are more top-of-mind for consumers than ever before. As a result of becoming more financially conscious in recent years, customers want to make sure they're getting the best value for their money.

Race-to-the-bottom pricing is never pretty, but thankfully, it's not an inevitable outcome for protection insurers. Providers who choose to operate on coretech will have some serious advantages here:

► Better service offers and unique value propositions to customers — whether they're on group or individual plans

► Superior data processing, automations, and protection ecosystem connections that result in a lower cost per policy, bringing down TCO significantly

Of course, price competition was already there, particularly with group protection products, as a way to compete against other providers for the business of employers that could offer large group policies. However, that competition is now heating up, and some protection insurers are already doing the "how low can you go" maths, which can be a little anxiety-inducing.

Fortunately, there are ways around the race-to-the-bottom pricing so you can combine competitive (but not the lowest) prices with truly unique value propositions to be the go-to choice for both employers and individual customers. In fact, a recent report showed that if an insurer provides the technological capabilities to easily integrate with HR admin systems, they'll happily pay more to partner with that insurer, everything else being equal.

Individuals will love it when your policies — whether purchased individually or through a group — interconnect with one another and ecosystem technologies to benefit them. For example, if an employee opts to walk to work every day instead of driving, why not reward that healthy behaviour with lower life insurance or critical illness rates? Thinking very big picture: if they have their auto policy under your company's corporate umbrella too, why not find a way to also give them discounted car insurance rates, since they're driving less during rush hour, and therefore significantly lowering the risk of a car accident?

The key to tackling these challenges and taking advantage of their juxtaposed opportunities is having the right technological architecture underpinning all your operations. A core platform like EIS that's scalable and supports real-time connections and smart data use gives you the opportunity to become one of the most ambitious, market-transforming insurers of our time.

The Technological Divide: 'Modern' Legacy vs Coretech

EIS™

THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

When you investigate coretech platforms for protection insurance, you notice just how much they're able to accomplish compared to monolithic systems.

But without making you spend weeks researching these capabilities, here are some of the top ones:

1. Event-Driven Architecture

Due to the policy-centric setup of modern legacy platforms, data exists in silos, and it's often difficult to get that data to pass easily between one silo and another. For example, in a policy-centric setup, if one individual has two different coverages, there tend to be two separate customer records: one for each policy type.

While this setup technically does cover the admin bases for policies and insureds, it's far from future-focused and rarely allows for any type of rich personalisation or agility. These systems might be able to send out annual notices with a link to coverage information and the amount of the premium, but they won't be able to serve up the automations and personalisations consumers want.

Coretech architecture, on the other hand, is event-driven and centred around the customer as the main record type, and that changes the game completely.

Instead of standard, cold annual notices being sent out, a coretech system can act nimbly on new data being entered or picked up by third-party data suppliers. If an income protection customer gets married, has a child, or buys a house, for example, your system can pick up on that and automate a communication with a message of congratulations and a special offer for a higher coverage amount.

If nothing life-changing happens in a year, an annual notice can go out with a reminder of their product coverage, sums assured, and associated premiums; thanking them for their trust in your company.

Life Event Happens → **Enter Workflow** → *Automated message to customer* → **Policy review & other offers presented** / **Offer** → *Choose Life Offer* / *Update Disability* → **FCA Compliance Met**
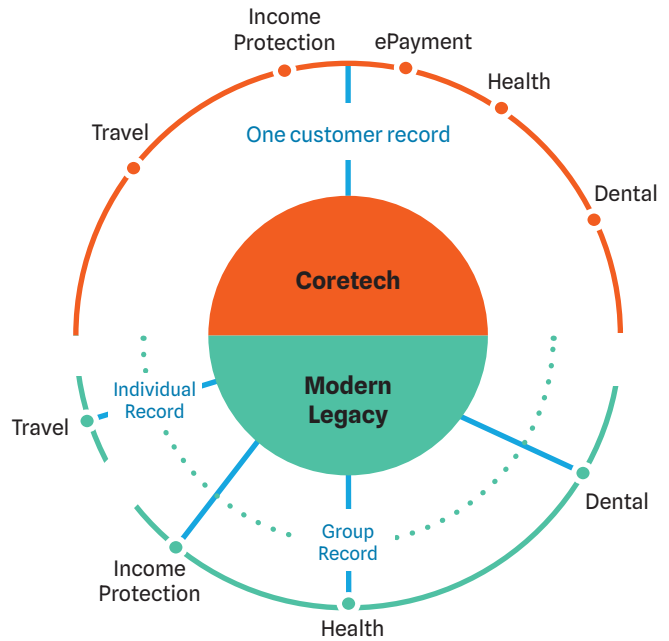
THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

2. Individual and Group Policies on a Single Platform

In the past, core systems were built around doing certain jobs that directly reflected manual insurance operations at the time. It was wonderful to be able to digitise records and automate some processes, but the labour-saving and innovation ended there.

Unfortunately, this mindset around building core system architecture for protection insurers permeated into the setup of policy records, and most can either only handle group records or individual records.

This, however, doesn't work with employer needs to expand group protection packages to include a multitude of standard protection policies, as well as new products that may not be billed on a group basis and would be fully employee-paid.

With customer-centric architecture that focuses policies around customers instead of the other way around, and individual's protection products can go from a group record to an individual record back to group with no major headaches.
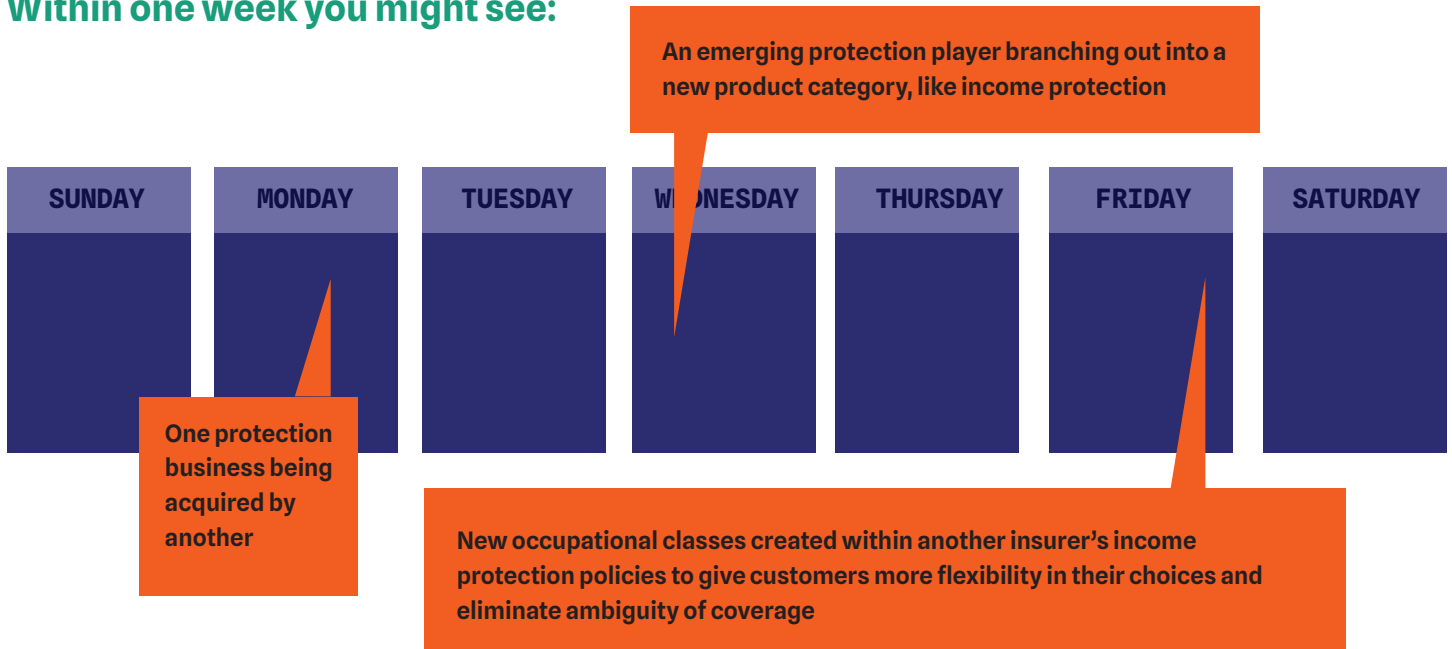
THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

3. Agility to Handle Speed of Change

Along with changing customer demand in the protection market, we're also seeing all kinds of structural business changes happening so fast they're dizzying.

Within one week you might see:

An emerging protection player branching out into a new product category, like income protection

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY

One protection business being acquired by another

New occupational classes created within another insurer's income protection policies to give customers more flexibility in their choices and eliminate ambiguity of coverage

It's obvious that there's been a fundamental shift in the cadence with which protection insurers are making strategic moves, and nothing is slowing down.

Monolithic, legacy platforms can really hold you back from keeping pace with these changes, because they simply don't have the tooling or deployability of coretech to keep you agile and able to participate seamlessly in partnerships, product launches, and policy enhancements.

This is where your choice in vendor could make or break your success in the market: The right vendor will empower you with low code or no code tooling so you don't need their hand-holding to make your desired changes, and they'll also have an architecture with strong product governance built in. Further, a microservices setup and open APIs provide the interoperability required to have a truly open and connected ecosystem to integrate with HR administration software, payroll, absence management platforms, and so forth.
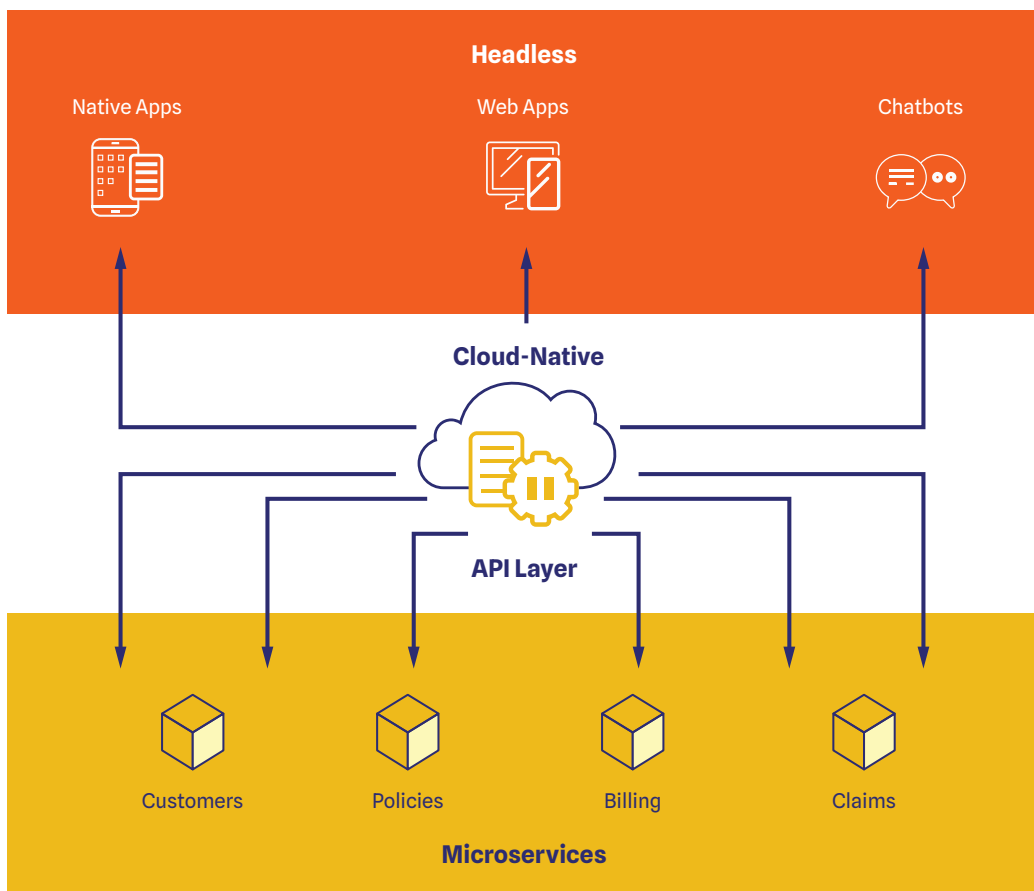
MACH Architecture: The Cutting Edge of EIS Coretech

MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

Now that we've established the basics of what makes EIS coretech superior to legacy, modern legacy, and even some other coretech systems, let's dig into the core architecture differences that set EIS apart.

MACH Architecture

Headless

Native Apps · Web Apps · Chatbots

Cloud-Native

API Layer

Customers · Policies · Billing · Claims

Microservices

MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

M =
Microservices

Rather than putting all your eggs in one basket (and if that basket gets a hole in it, all your eggs fall out), a microservices architecture de-couples an overall application into loosely coupled services that can be developed, deployed, and scaled independently.

As an organisation, it gives you stronger resilience and fault tolerance, and means the system as a whole can better-handle unexpected errors and disruptions. And, should one microservice fail, it won't affect the overall system.

It also means that if you want to start a digital transformation, you can upgrade one piece at a time without detracting from your ongoing operations.

Win-win, right?
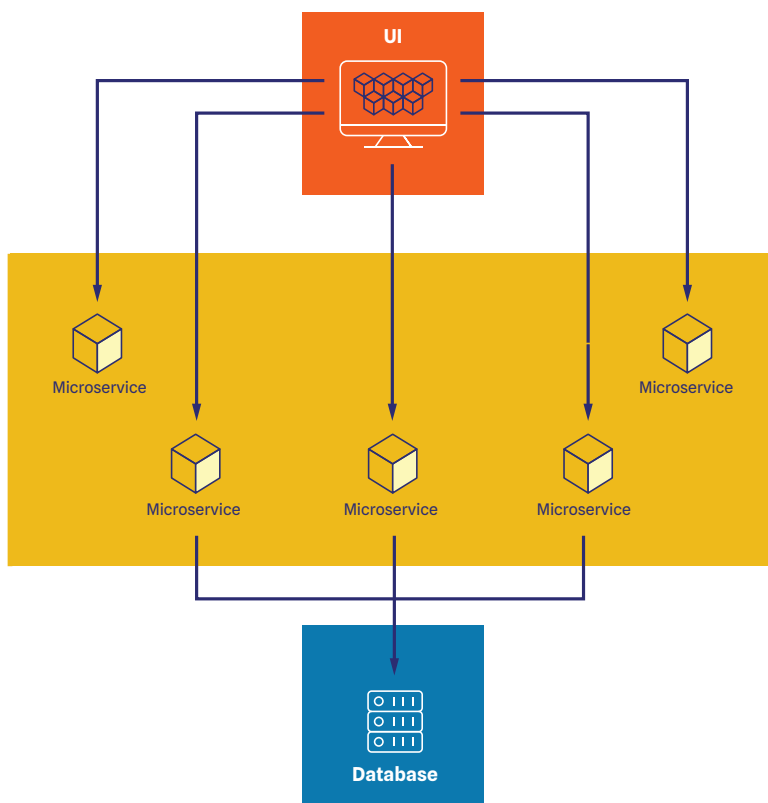
MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

A =
API First

Because APIs are the keys that let you go from being a standalone insurer to becoming the ecosystem brokers, employers, and customers love, they need to be at the core of your architecture, with a standardised and consistent way for the connected technologies to communicate with each other.

Having an API-first approach to architecture is crucial to innovation and growth, because without it, you'll have a hard time integrating new services and applications into your growing ecosystem. You also won't get the interoperability needed with third-party vendors, insurtechs, or other industry players that help you provide a…

…holistic, to-die-for customer experience.
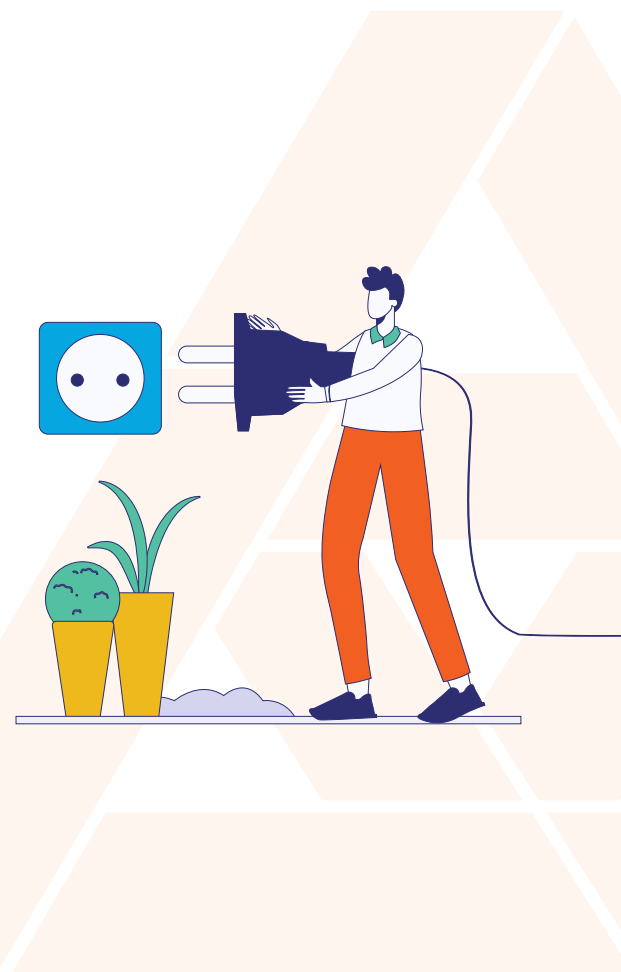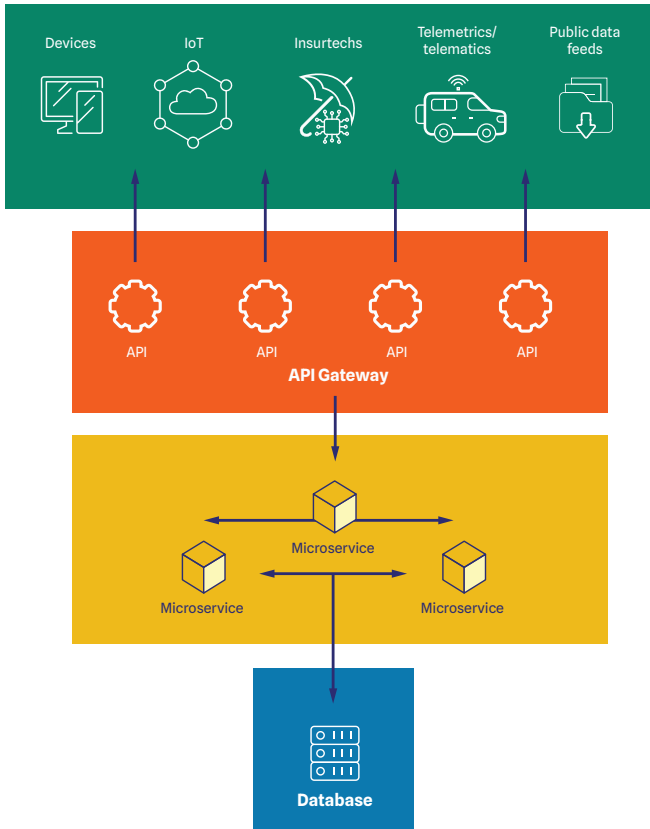
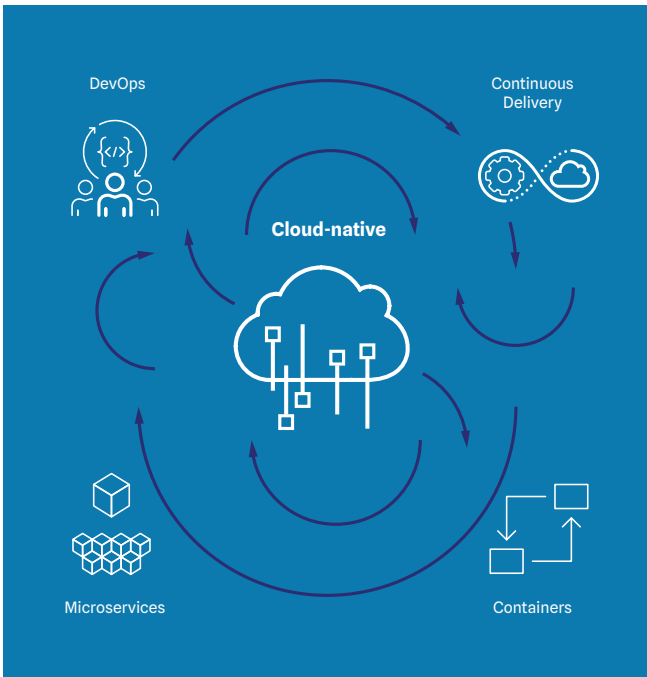## MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

C =

Cloud Native

While digital transformation can be costly, switching to a cloud-native platform is one place where the total cost of ownership starts to make sense.

Because of the cloud's pay-as-you-go pricing model, carriers can save money on bandwidth during slower seasons, and use the bandwidth they need during busier seasons without slowing down operations. It solves the catch-22 of not wanting to pay for unneeded server space, but having it available during times of need.

Further, cloud-native features like serverless computing help benefits insurers make the agile changes they need without worrying about the underlying infrastructure via low-code tooling. They let insurers develop and deploy needed applications without the need to manage servers, which reduces complexity and maintenance overhead while...

## ...optimising workflows and streamlining operations.

MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

H =

Headless

Without getting too far into the technological weeds, the "headless" principle enables the separation of the front-end user interface from back-end applications. Insurers who choose a headless approach can create more flexible and customised end-user experiences... whether for individual payers, HR departments, brokers, or customer service. By separating the front-end interfaces from the back-end applications, data can flow more freely, and more customisations and personalised offers can happen in real time.

However, having headless options built into a platform's architecture doesn't necessarily mean an insurer must utilise the headless setup. If you'd prefer, you're still 100% able to manage the back-end and the front-end applications as a single system to avoid replicating changes. Ambitious insurers need the power to choose a back-to-front setup that works best for their operations, and having this flexibility built into your coretech ensures you...

...have the functionality you need.
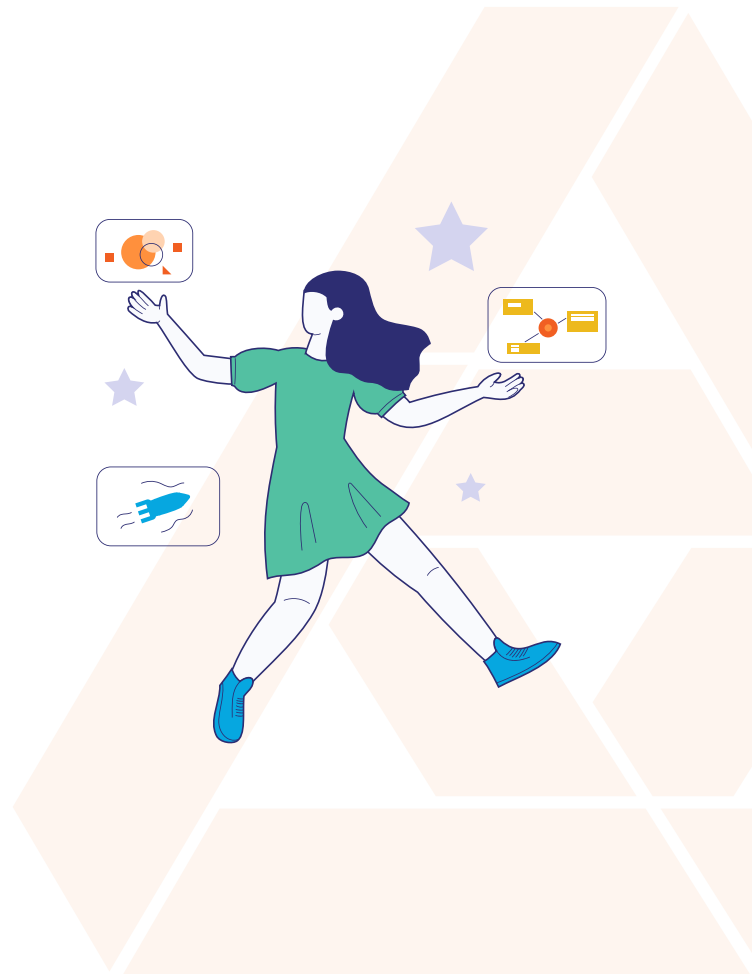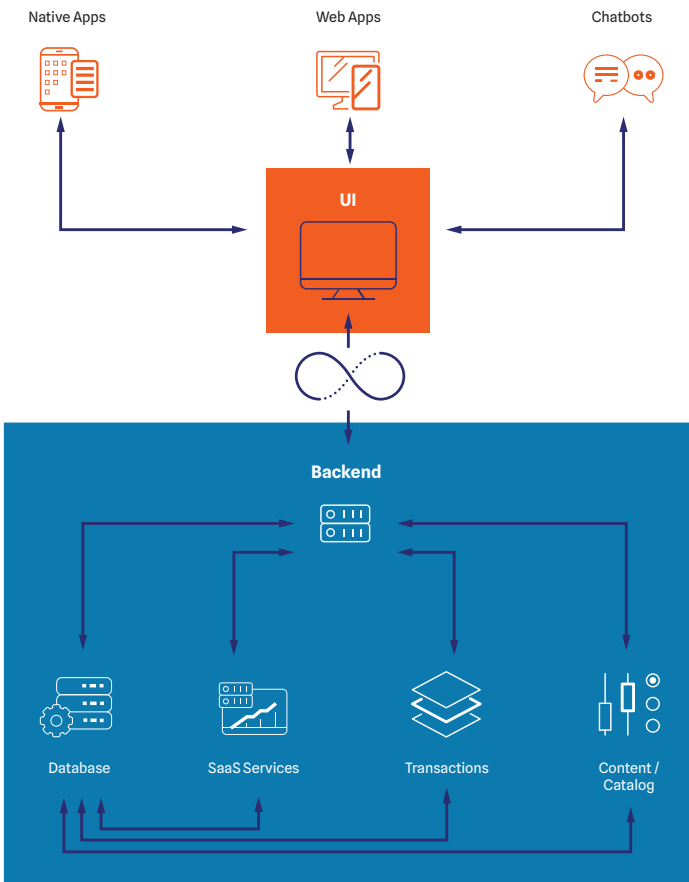
How Today's Ambitious Insurers are Winning With Cutting-Edge Coretech

EIS

HOW TODAY'S AMBITIOUS INSURERS ARE WINNING WITH CUTTING-EDGE CORETECH

While the theories behind coretech and MACH architecture sound fantastic, we all know the proof isn't in theory—it's in the implementation, execution, and results.

AIG Canada

Using EIS to upgrade their group benefits platform, AIG Canada achieved:

95% decrease in time to issue policies

90% decrease in time to review policies

Implemented the EIS Suite in **11 months** & **20%** under budget

Launched **27** new products across **4** product lines with a **75%** reduction in time required to introduce new products

Major North American Mutual Insurance Company

A major mutual insurance company in North America chose EIS to launch new products in record time.

Delivered **6** new products in under **7** months

(Compared to the industry average of one product in 18 months.)

Launched **critical illness** and **accident products** in just **6** months to sell to individuals.

"Technology is rapidly transforming all of our lines of business. This was an opportunity to collaborate with some of the industry leaders in technology, along with our business partners, to bring a winning set of capabilities to market rapidly and effectively." **– CIO**

MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

Wellfleet

Wellfleet's goal was to build a customer-centric platform with a consistent, multi-channel experience. With EIS, they were able to:

Process

all fourth-quarter business for new cases and major re-enrollments for a January 1 effective date

Cut data validation process to hours or days, not weeks

Deploy a single platform in under **11 months** for **4 different products**

Launch the ability to generate customised plan designs with a smooth flow of accurate, case-specific information from **quote to claim**

> "Many carriers use a patchwork of legacy systems, creating barriers for producers and implementation shipwrecks for employers. Working with EIS, we were able to build a customer-centric platform with a consistent, multi-channel experience." **–James Ocampo, Executive Vice President, Workplace Benefits for Wellfleet**

Major North American Life Insurance Company

When a major life insurance company wanted to expand their reach to a growing population of independent and part-time workers who did not have access to employer-sponsored protection products, they partnered with EIS.

80% digital engagement with their members

40pt **jump** in their Net Promoter Score

4 new products deployed in **12 months**

2 to 3 **month reduction** in the time to make regulatory changes live across all systems

Want To Know More About What EIS Can Do for You?

Instech London: Are We Stuck on Legacy Technology Forever? (Digital Lipstick on a Legacy Pig)

Watch now

A Greenfield Guide for Group and Voluntary Employee Benefits Insurers

Download now

The Ambitious Insurer's Guide to Human Centricity

Download now

Know you're ready to start shopping for a new core system?

Access our series on nitpicking core systems like a pro.

Want to know more?

Book a call with a coretech expert

Sources:
- Gartner—2023 CIO Agenda Insights for Healthcare Payers
- LIMRA—Fast Forward: Employer Views on the Future of Benefits