EIS

Property & Casualty's
Upcoming Golden Era

Speed of Adaptation to
Determine Success

Contents

From the outside looking in, the P&C market has some interesting things going on: high churn rates, high price competition, and razor-thin margins.

But despite the bleakness of the outside-looking-in perspective, P&C insurers are poised to usher in a golden era for the market.

Some carriers may not make it, especially if they insist on clinging to old ways or are resistant to new technology adaptations. However, those willing to dig into technology transformation to improve their backend processes, user experience, and claims handling will reap the rewards of what's to come.

So, how exactly can P&C insurers start to take advantage of this upcoming golden era?

A commitment to true, tangible, digital transformation.

We don't mean a "transformation" in the sense of picking a few great insurtechs as digital bandaids to fix things that aren't quite up to date. According to the New Oxford American Dictionary, a "transformation" is:

- ▶ A thorough or dramatic change in form or appearance
- ▶ A metamorphosis during the lifecycle of an animal
- ▶ The genetic alteration of a cell by introduction of extraneous DNA, especially by a plasmid

A transformation, then, is not just an upgrade of certain items here and there, it's a metamorphosis. It's a fundamental alteration of the way things work down to the core—not just a hacked-on process or digitalization of the old way of doing things.

The Outcomes of Full P&C Transformation

THE OUTCOMES OF FULL P&C TRANSFORMATION

With many transformation projects fizzling out ever-expanding goals, to be truly successful with transformation, you need to know what your outcomes will be before you start.
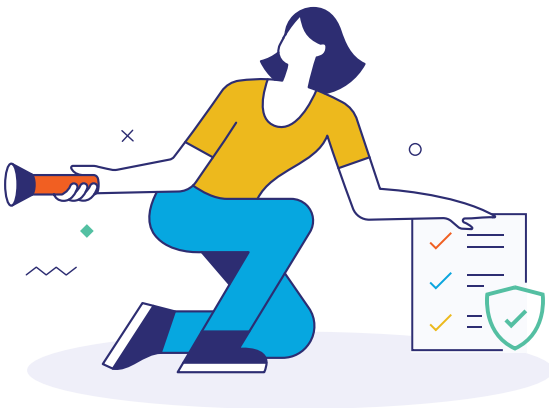
We've got four key areas for P&C executives to start thinking about to get their digital transformation plans in place:

Ecosystem enablement & customer centricity

Agile & quick speed to market

Fraud detection & claims leakage

Overall expense reduction

THE OUTCOMES OF FULL P&C TRANSFORMATION

Ecosystem Enablement & Customer Centricity

Ecosystems are becoming the go-to business model to secure business growth and stability—and not just in insurance.

Mckinsey research found that ecosystems as a whole will generate $60 trillion in revenue by 2025, accounting for 30% of all sales. That's a huge sum, but it's no surprise:

Customers love today's digital ecosystems, because their needs, data, and preferences are the focal point of how those ecosystems operate, making their lives exponentially easier. And because customers share so much data with their insurers, it makes sense to them that

their policy providers would modernize to match the kind of customer centricity they get elsewhere.

Plus, with the right technology, insurance is a product poised to reap large profits from it.

The question becomes, how do P&C insurers start to take advantage of this?

The key is in thinking big: Ecosystem enablement can help insurers and their customers prevent risk, but goes beyond that into the entire P&C lifecycle, as well as other types of insurance policies your company might sell.

To prevent risk, insurers can connect their core platform to the Internet of Things (IoT):

In-home water sensors can cut off water supply when a leak is detected, and immediately start a claim. The damage from the leak is greatly minimized, reducing the total cost of the claim, and the homeowner feels good knowing their home is protected from this type of risk.

Home security cameras and **in-vehicle telematics devices** offer similar opportunities to prevent risk from the start, and minimize damage if something happens.

THE OUTCOMES OF FULL P&C TRANSFORMATION

The larger P&C lifecycle is where ecosystem enablement can really pay off for insurers:

When a claim for a traffic accident happens, for example, the claimant could choose the most convenient body shop from insurer-approved choices in their app, coordinate the car pickup, and get themselves a rental car, with all the payout pieces being taken care of instantly. The body shops and car rental companies would be integrated into your ecosystem, so there's no time-consuming manual work required of anyone.

Because everything's taken care of so quickly and in one place, manual errors are reduced, and the time to process, pay out, and close a claim is compressed, saving the insurer a fortune in overall claims cost and providing an incredible customer experience.

Taking it a step further, if your company also has an employee benefits arm under your insurance brand, you could sell some of your P&C policies as employee benefits because the policies could easily integrate into that ecosystem, or you could give customers incentives to improve multiple areas of their life: More walking around town tracked by a smart watch, plus less driving time could equal lower car insurance and lower life insurance rates. The possibilities for customer loyalty (and churn-proof business practices) are endless.

↓ **30%** Working with EIS, esure reduced their cost of claims by more than 30%.

Agile & Quick Speed to Market

The status quo of legacy or modern legacy core systems in P&C insurance means business operations (especially for launching new products and USPs) are more inflexible and slower than you need to stay abreast of the market.

But with the right coretech architecture, P&C insurers gain the agile functionality of a tech company, and the huge advantages that come with being the first to offer new ecosystem-centered products and services.

THE OUTCOMES OF FULL P&C TRANSFORMATION

Fraud Detection & Claims Leakage

Fraud is a huge revenue loss for P&C insurers. According to the FBI, the total cost of non-health insurance fraud is estimated at $40 billion, and according to the Coalition Against Insurance Fraud, P&C-specific fraud costs $45 billion, excluding auto theft claims.

Worse yet, fraudsters are getting smarter about how they scam the system; faster than traditional fraud detection models can keep up with.

However, when an insurer embraces the advancements that can keep them ahead of fraud, like machine learning (ML), artificial intelligence (AI), and intelligent process automation (IPA), the detection of fraud happens automatically, and the factors used to detect fraud can adjust as fraud trends evolve. Your IT and claims teams won't be burdened with constantly adjusting hard-coded logic rules for sifting through fraud, and can focus on revenue-positive activities.

Unfortunately, fraud is just one piece of the claims leakage puzzle. Things like inaccurate estimates, missed deadlines, and inadequate analysis data all add expense to claims leakage.

The good news is, they're all symptoms of outdated technology that can be fixed, preventing your company from unnecessary revenue loss. Predictive modeling and machine learning analyses can help insurers spot potential claims leakage issues before a human would notice them, nipping the problem in the bud.

THE OUTCOMES OF FULL P&C TRANSFORMATION

Overall Expense Reduction

Beyond fraud and claims leakage, expense reduction in operations is crucial to staying profitable and agile. Plugging up fraud and other places of claims leakage is an incredible first step, but the truly transformative players in P&C will take an operations-wide, sweeping approach to cost reduction.

The benefits of coretech in this are numerous:

Reduce staff bandwidth strain & greatly reduce data errors via process automation

Reduce operational and interface complexity, technical debt, IT spend, and required maintenance by consolidating disparate systems onto a unified platform

Only use needed computing power and eliminate the need to over-provision resources with the agile scalability of microservices

Identify inefficiencies and implement targeted cost-saving measures with advanced data analytics

Eliminate need for large staff and improve data health with seamless integration to machine learning, artificial intelligence, and intelligent process automation

Technology opportunity: We'll talk more about coretech architecture later, but as you can see, the old insurance technology isn't going to cut it. 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.

Challenges vs Opportunities in the Upcoming Golden Era

CHALLENGES VS OPPORTUNITIES IN THE UPCOMING GOLDEN ERA

Just because we can imagine a perfect future for P&C doesn't mean implementing it will be without its challenges. For any P&C insurer wanting to upgrade their operations to match the future, these are some key dichotomies to consider, beyond claims leakage:

Price Cutting for Acquisition vs Unique Product Offerings

At a certain point, price cutting to acquire customers loses its effectiveness and becomes a bad business practice. Consumers are already aware of race-to-the-bottom pricing, and price comparison websites help them find the cheapest rate. There's no company loyalty or unique value proposition involved.

If this customer acquisition strategy hasn't already run its course, it's about to expire for good.

But what can P&C insurers do if price cutting and competitive rates are the thing they've been using to acquire new customers?

Competitive rates don't have to go out the window, but if you're able to use your technology backend to create forward-thinking, customer-centric insurance policies that your competitors can't offer, suddenly a more expensive premium is easier for a customer to pay when they know the insurer is going above and beyond.

The sky's the limit for creativity to meet market demands on this, but some examples include:

► Usage-based insurance for individuals who use their cars for personal use and business use as a driver for a ride sharing app.

► An IoT integration service that acts as a policy add-on to monitor home security devices like water sensors, smoke detectors, and security cameras to open claims and take action reducing risk and taking care of what's valuable to the policyholder.

► In-car telematics that give customers suggestions on how to reduce risk to their vehicle: like avoiding high-theft parking areas while on vacation, taking a different route to work, or leaving for Saturday errands at a different time for a lower chance of getting into a car accident.

CHALLENGES VS OPPORTUNITIES IN THE UPCOMING GOLDEN ERA

Claims Churn vs Loyalty-Building Interactions

According to SwissRe, insurance customers only average two touchpoints per year with their insurer: the point of sale, and the point of claim or renewal.

Not exactly the best practice for relationship building and customer loyalty, is it?

Plus, when many customers have their most meaningful interactions with an insurer during a claim (and claims are notoriously the make-it-or-break-it moment with a customer), you have a recipe for churn disaster.

Even a terrible claims experience can be turned around for the better and produce loyalty rather than churn. For example, if a customer's claim doesn't go through as they expected; whether it was the speed of the claim, the outcome, or something else, good technology can identify that and deploy an automated set of personalized, custom interactions to show that, even if something bad happened, your company still cares about them. (Check out the example in **this presentation**).

In a world where customers are only used to "hearing" from their insurers by seeing their premiums in their monthly bank statements, loyalty-building interactions—whether they're related to a claim or not—help you win in today's high-churn P&C environment.

CHALLENGES VS OPPORTUNITIES IN THE UPCOMING GOLDEN ERA

Old Technology Limitations vs Future-Proof, IPA-Driven Ecosystems

The evolution of P&C technology over the years has been interesting. At first, when things started going digital, P&C insurers found ways to digitize manual processes— which made sense. Instead of sending in a check every month, people could pay their premiums online. Instead of starting the claims process with a piece of paper, people could submit claims online. And instead of manual data analysis for underwriting, if-this-then-that software rules for underwriting were coded and deployed.

And while this type of digital transformation is useful, it's inherently limited given the vast capabilities of today's inter-connected tech.

Instead of feeling the pinch of increasingly-outdated "let's digitize this piece" solutions, P&C insurers will do better to step back and look at big-picture thinking—even beyond their in-house operations.

Ecosystems are clearly the way of the future for ambitious insurers that want to become market leaders, and simply having ecosystem enablement puts an insurer way ahead of the status quo.

However, ecosystem thinking isn't the end-all-be-all of tech transformation, you need your structure and architecture to be future-proof as well. Alongside an open-API infrastructure that enables ecosystems, intelligent process automation (IPA) applies machine learning, and takes it to the next level.

In fact, IPA goes beyond the wonders of AI, machine learning, and even robotic process automation (RPA) because it includes all of them.

With old, limited technology, you're stuck with simple process automation like collecting premium payments via digital means or sorting claims, policies, or underwriting based on data. But when you fold in future-proof architecture and pair it with AI and machine learning, you add another layer so the system doesn't just automate processes for you—it learns from its actions in automating, and makes those automations—and how those automations interact with each other— more efficient over time, without manual input, and as technology evolves.

The key to tackling these challenges and taking advantage of their contrasting opportunities is, of course, to have the right architecture underpinning your operations. Coretech that's scalable and supports real-time connections and smart data uses gives you the opportunity to become one of the most ambitious, market-transforming insurers of our time.

The Technological Divide: 'Modern' Legacy vs Coretech

THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

When you investigate coretech platforms for P&C, you notice just how much they can accomplish compared to the traditional "let's update this process and later we'll update that process" approach with legacy or modern legacy systems.

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

1. Geographic Expansion

One of the most headache-inducing parts of scaling a P&C business is expanding into new geographies. Country-by-country expansion means you'll need to deploy everything in new languages and currencies, but even inner-country expansion means dealing with state-by-state regulatory changes, risk assessments based on location and weather patterns, and new customer protection laws.

With a rigid, "this is how it's always been done so this is how we're building our technology" core system, making all those changes in a tight time frame can be a serious challenge. Hard-coding digital bandaids to tech problems the older platform can't handle becomes a daily occurrence, and it feels like your tech debt is increasing by the minute... not to mention finding quality tech talent to code in old programming languages.

Fortunately, geographical expansion can be fairly easy with EIS. Our technology lets insurers set up a federated model with a central, standardized core of business operations, with localized layers to tailor deployment into new regions.

Tower Insurance, a company supporting more than 300,000 customers in New Zealand and seven Pacific island nations, deployed our full suite for core transformation. They were a company with a 140+ year legacy, and prior to the digital transformation, most of their customer interactions were in-person and paper-based.

Our technology allowed them to accommodate a wide range of products and geographies, and they used that to start selling more policies online... to the tune of 63% of their new business being generated by digital channels.

The expansion was possible, because EIS allows P&C insurers to:

► Support all languages, including scripted or symbolic languages, with a simple drop-down toggle

► Support all ISO currencies, even multiple currencies within a single policy

► Support regional regulation differences, with a multi-tenant capability built in

> " Now the platform is in place, we have digitally enabled products on sale... which will result in improved outcomes for customers, increased efficiency, and will allow us to take advantage of market opportunities."
>
> –**Peter Muggleston, Chief Digital & Data Officer, Tower Insurance**

THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

2. Customer-Centered Architecture

With personal data permeating just about every aspect of a person's life, it's understandable why customers expect insurance to also feel like it's all about them: from personalized service and product offers, to personal-feeling interactions when they file a claim.

No one likes feeling like just another number, and the more a P&C insurer does to overcome that, the more loyalty they'll earn.

Unfortunately, old-style operations and "modern" legacy platforms make this nearly impossible to execute… at least in a sustainable, scalable way.

That's why, at EIS, we envisioned and made our architecture different from the start. We put the customer at the core of how everything in insurance works, enabling this large-scale personalization and customer-centric feel of operations.
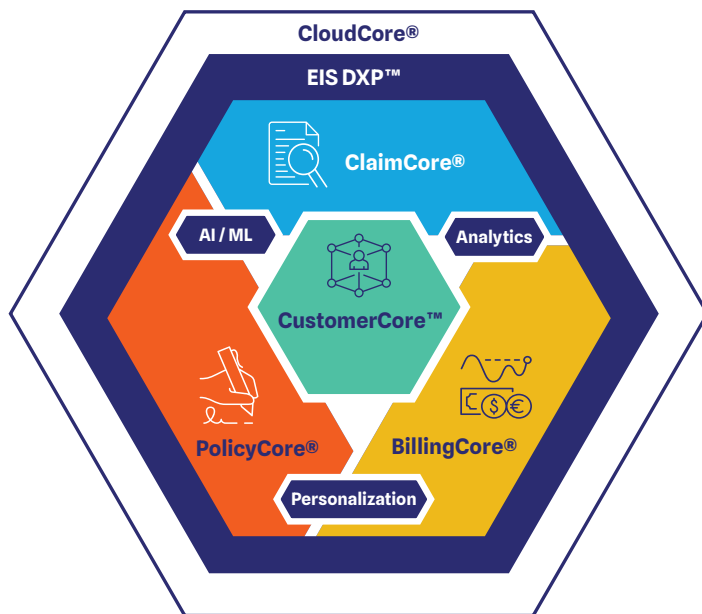
As you can see, everything resolves around customer experience: policies, billing, and claims. When you take this to the next level and start to plug in insurtechs, repair vendors, machine learning, AI, and data analytics, the possibilities start to truly blow your mind, because they're things that have never been done in the insurance world before.

To keep things focused on the customer experience: customers get faster, more efficient service, and more personalized products and services. They get access to seamless digital channels, and the headaches of figuring out what's covered, how to start a claim, or how their claim is progressing are totally eliminated.

THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

Industrial Alliance used EIS Suite to transform how they sold and operated their home and auto policies.

By putting CustomerCore, a module of EIS Suite, at the center of their operational architecture, Industrial Alliance greatly improved their customer data management, which had a waterfall of positive benefits for them, including:

► Providing faster and more personalized customer service, improving customer satisfaction and loyalty with a 40-point jump in tNPS

► A better understanding of customer needs and preferences to make more targeted and relevant offers.

► A single source of truth for their customer data, that's easily updated with new data as it's gathered from multiple connected sources

Plus, EIS technology enabled them to reduce refactor rating time by 75%, so they can respond to changing market conditions and customer needs with surprising agility.

They're the perfect example of how when an insurer is willing to transform their core to a future-focused and customer-centric architecture, integration of futuristic technologies becomes second nature, and streamline processes mean better efficiency and reduced cost of operations.

> We believe our selection and deployment of EIS Suite positions us well for immediate growth and for future opportunities as customer needs and market conditions change."
>
> **–Sophie Duval, VP Support & Governance, Industrial Alliance**

THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

3. Embedded Insurance & Other Unique Value Propositions

One of the defining marks of the golden era of P&C will be all the innovative new products and the various ways they're sold to the customer.

Buying home and auto insurance online has become commonplace, but distribution methods like embedded insurance, while already in operation at some level today, can take insurance coverage, revenue, and brand loyalty for insurance and non-insurance brands to new levels.

Connecting with the ecosystem theme, embedded insurance lets any developer or product manager add an insurance policy offer at the point of sale. With connected ecosystem and behavioral data powering these policies, buyers can see more comprehensive and relevant offers, and insurers get access to more data to support the rating, underwriting, and binding processes needed to sell policies.

The market for embedded insurance is growing quickly, but only insurers with the underlying enabling technology will be able to capitalize on it.

Other types of unique value propositions coretech enables that modern legacy has a hard time with include UBI (usage-based insurance), credit protection, parametric insurance, on-demand policies, and bancassurance.

With ecosystem data, insurers can even do things like lower home rates with connected safety products (water sensors, smoke detectors, security cameras, etc.), or suggest driving tips based on driving patterns to help reduce car insurance rates. Customers love feeling like their insurers are there to take care of them, and new technology can re-introduce this care-taking feel to insurance.

Total Embedded Insurance Worldwide, GWP, $USD bn

$720bn

Legend: China, US & Canada, Europe, RoW
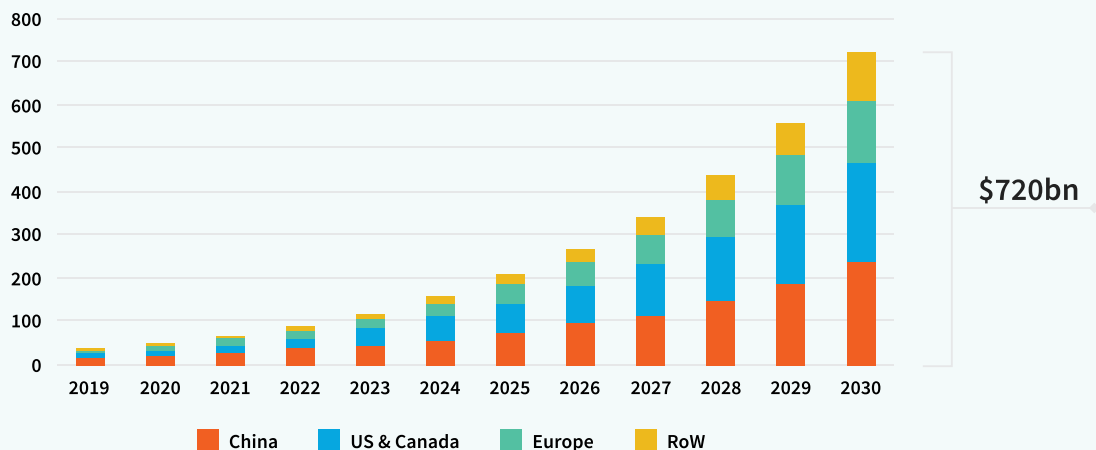
Source: Simon Torrance analysis of the global P&C market

4. True Ecosystem Enablement & Deployment

Having true ecosystem enablement doesn't just mean a coretech vendor gives you a limited set of APIs or has a limited integration marketplace. These phone in the idea of an ecosystem, without reaching the potential.

Beyond just connecting to a few insurtechs here and there, true insurance ecosystems have open APIs as their baseline, and integrate data analytics, machine learning, intelligent process automation, and so much more.
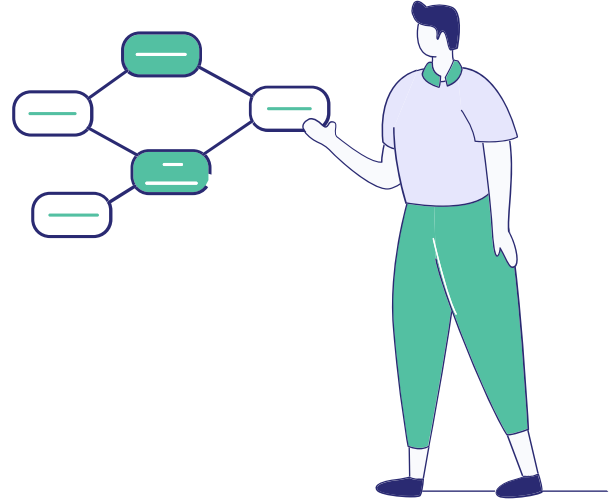
5. Fraud Detection & Management

Big tech and insurers aren't the only ones getting smarter with the use of technology; fraudsters are too.

Preventing ongoing and new types of fraud is key to staying profitable. Instead of the typical "if-this-then-that" detection model in many older fraud management systems, EIS fraud management and prevention solutions leverage AI, machine learning, and intelligent process automation.

Instead of humans having to identify new types of fraud and hard-wiring how to detect them into the code, your fraud detection system could be constantly learning about new fraud identification and updating itself.

40%
reduction in fraud costs

A large P&C insurer used EIS Detect to standardize fraud detection across more than 2,000 claims experts, and reduce fraud costs by over 40%.

THE TECHNOLOGICAL DIVIDE: 'MODERN' LEGACY VS CORETECH

6. Claims Automation & Plugging Claims Leakage

Unfortunately, fraud is only one point of loss for claims leakage. Other points of loss come from inaccurate data entry, imprecise claim estimations, and clunky workflows leading to delayed payments and bad customer service.

With legacy systems, it's nearly impossible to break away from manual processes that lead to these points of claims leakage, but intelligent, adaptable automations powered by coretech's architecture stop these leaks ASAP.

For example, esure, one of the UK's top auto and home insurers, leveraged the cloud-based and customer-centric infrastructure of EIS, paired with the advanced data analytics our platform provides, to automate their claims processes and improve efficiency.

> " Partnering with EIS has been a game-changer for us. With their cloud-native, coretech platform we have been able to modernize our legacy systems and accelerate our digital transformation journey. This has not only improved our customer experience but also enabled us to be best in class regarding claims operational costs."
> **–David McMillian, CEO, esure**

In the end, esure achieved some amazing results in claims automation and plugging up claims leakage:

esure GROUP

↓**50%** **A 50% reduction** in the cost of claims

Over **40% of claims** begin with electronic FNOL ↑**40%**

↑**80%** tPNS ratings consistently **exceed 80%**

54% of customers use self-service tools **54%**
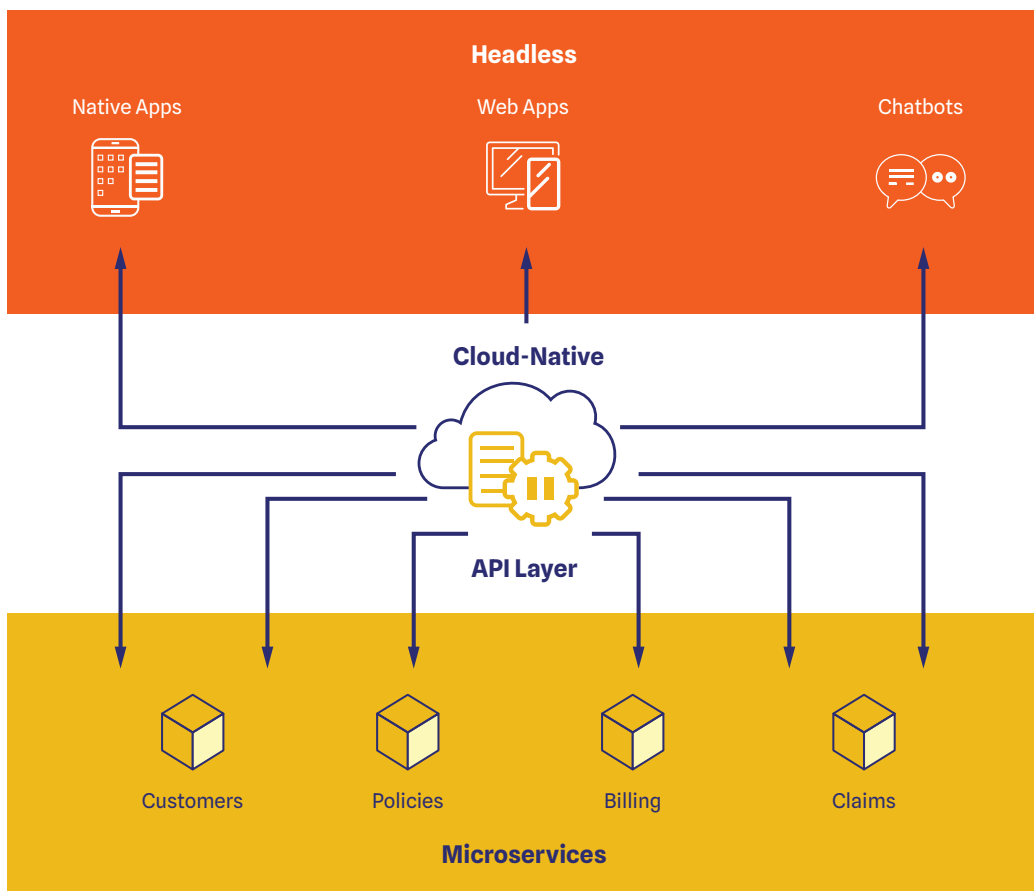
↓**30%** **30% reduction** in call volume

MACH Architecture: The Cutting Edge of EIS Coretech

EIS™ △®

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

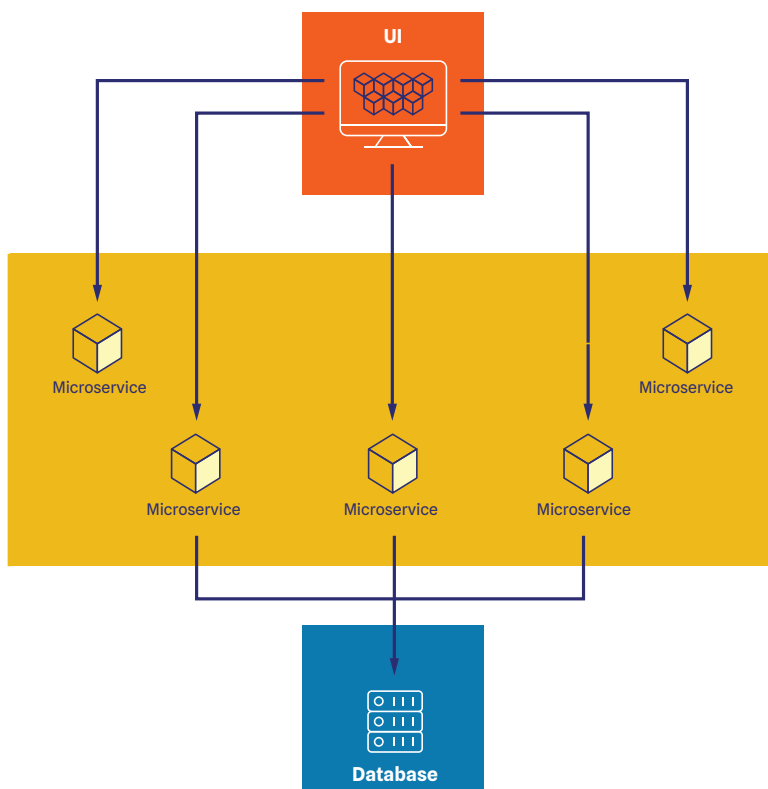MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

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 organization, 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 standardized 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.
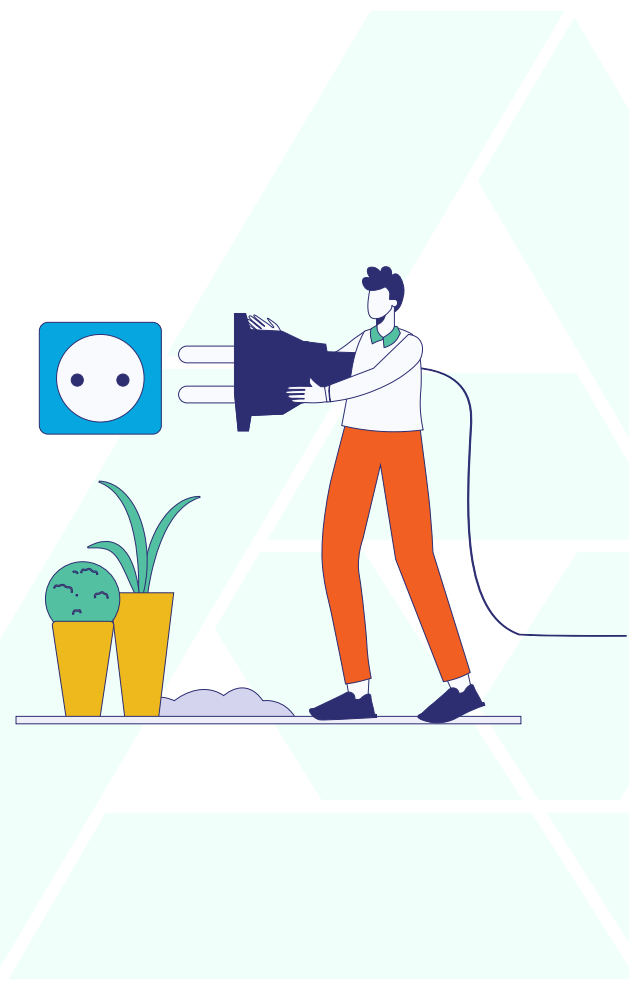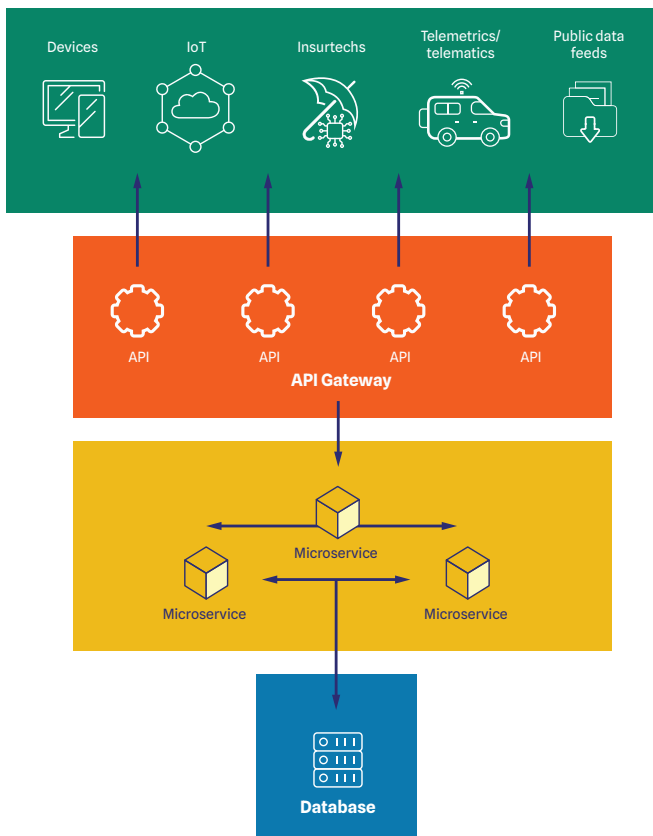
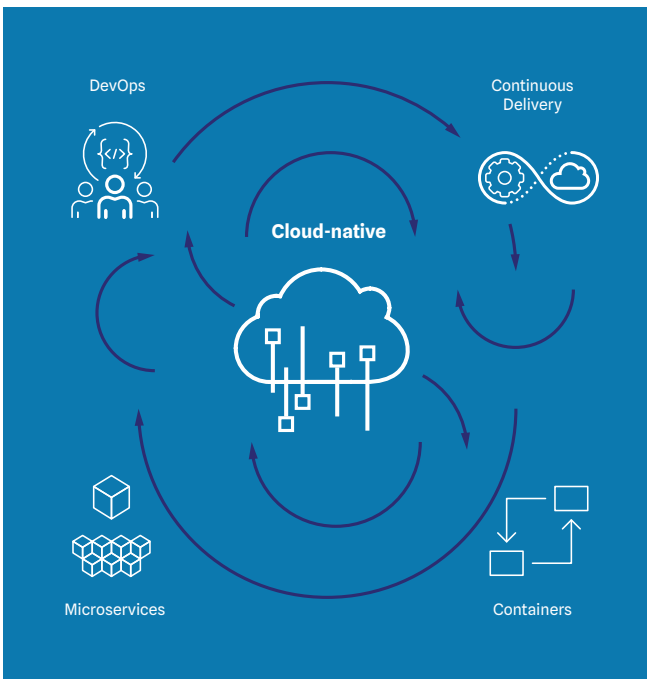## MACH ARCHITECTURE: THE CUTTING EDGE OF EIS CORETECH

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...

## ...optimizing 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 customized 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 customizations and personalized offers can happen in real time.

However, having headless options built into a platform's architecture doesn't necessarily mean an insurer must utilize 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.
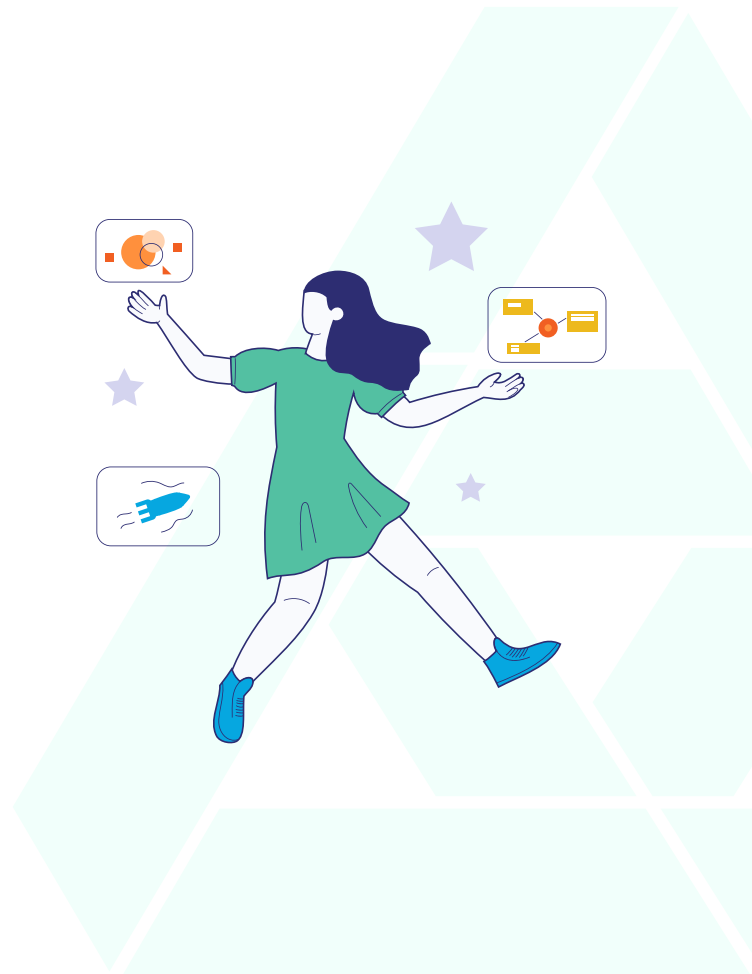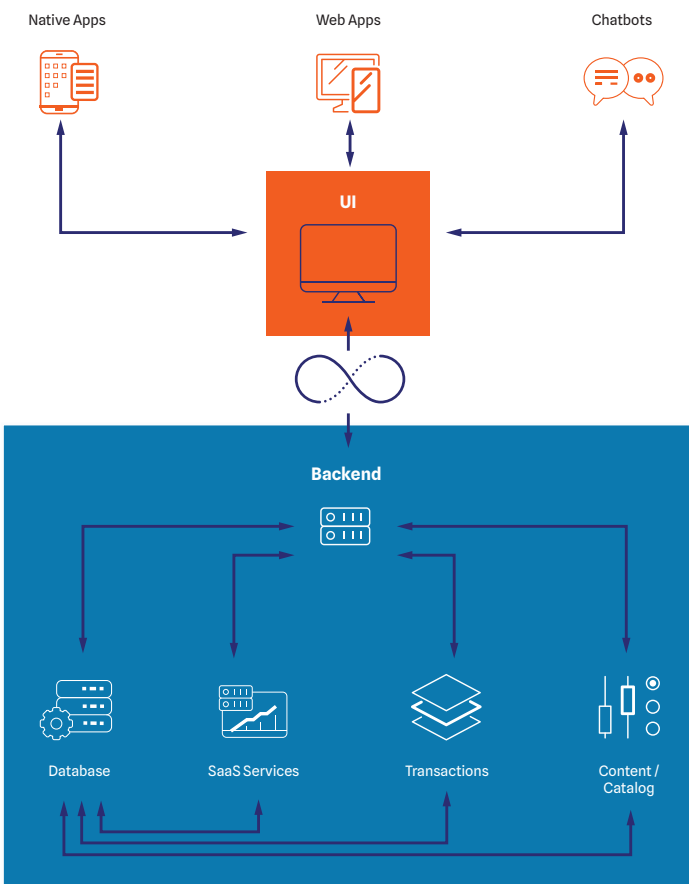
How ambitious insurers are operating with the EIS Suite

Efficiency + Data + Experience = The Perfect P&C Storm

EIS

HOW AMBITIOUS INSURERS ARE OPERATING WITH THE EIS SUITE

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

Industrial Alliance

Improved customer data management

Faster customer servicing

↓**75**% **less** time to refactor training

" We believe our selection and deployment of EIS Suite positions us well for immediate growth and for future opportunities as customer needs and market conditions change."
–Sophie Duval, VP Support & Governance, IAAH

Tower Insurance

65%↑ of new business through online channels

45% of claims logged online

29% of customers using MyTower online sales and service portal in less than a year after launch

" Collaboration between the Tower and EIS teams and an effective Agile process leveraged the resources and scalability of the cloud, which was critical to on-time delivery. Now the platform is in place, we have digitally enabled products on sale... which will result in improved outcomes for customers, increased efficiency, and will allow us to take advantage of market opportunities." **–Peter Muggleston, Chief Digital & Data Officer, Tower Insurance**

Liberty Mutual Insurance

" "When we decided to operate as one global company in every market...we understood that we couldn't look at the technology behind the company in a traditional way," **said Tom McIlduff, the chief executive of Liberty Seguros, a subsidiary of Liberty Mutual Group.** "So instead of migrating our technology, we decided to start from scratch, rebuilding our company in a whole new business model in the cloud by connecting different technologies in a common ecosystem," he said.

EIS

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Want to know more about what EIS can do for you?

The EIS Suite

Read more

EIS Use Case: Revolutionize Claim Management with EIS Fraud Detection

Download now

Rapid Digital Transformation in Motor Claims at esure

Download now

Tower Insurance: Creating a Better Customer Experience

Download now

Embedded Insurance: A New Route to Growth and Value

Download now

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

Access our series on nitpicking core systems like a pro.

Sound interesting?

Book a call with a coretech expert

Sources:
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- SwissRe: Why insurers need to care more about customers and how to do it in the digital age
- Gartner: Top 10 Technology Trends for P&C Insurance CIOs in 2023
- Embedded Insurance: A New Route to Growth and Value
- McKinsey: Ecosystems and platforms: How insurers can turn vision into reality
- Rapid Digital Transformation in Motor Claims at esure

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