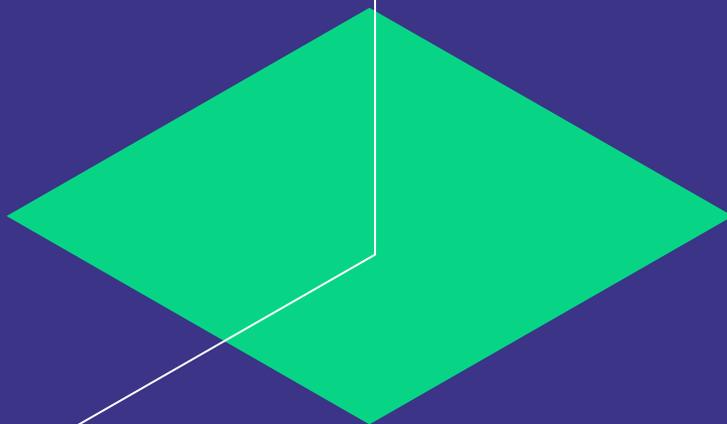




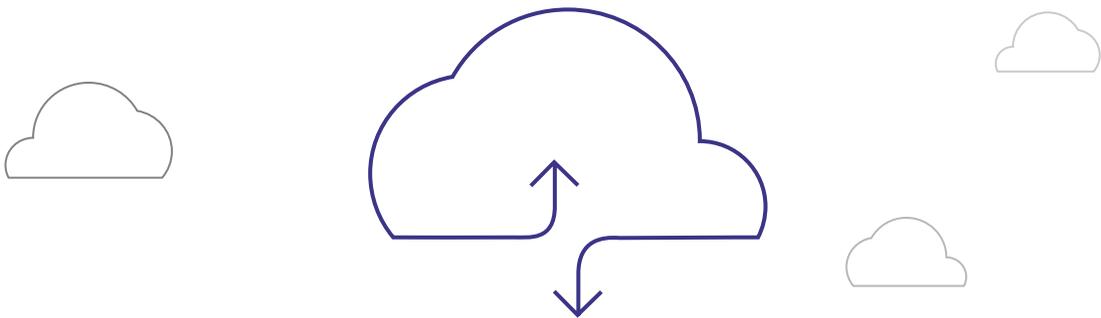
Duck Creek
Technologies

How SaaS Core Systems are Transforming Insurance





New technologies, new opportunities



Market forces are driving carriers to evolve faster than ever before. According to a recent report from Novarica, average speed to market is now seven months for new products, and three for modifications¹. These times are broadly similar across lines of business, and they're shrinking fast. Other carriers are focused on enhancing the customer experience – from developing new channels to engage customers such as AI-powered chatbots, to leveraging drones to do post-disaster image assessment that automate aspects of the claims process.

To win in today's increasingly competitive P&C insurance industry, carriers need core systems solutions

that support their business strategies, not dictate them, and that empower carriers with the ability to pursue innovation. Yet many carriers are struggling to run their core systems as effectively as they need to, and they end up falling behind. So how can insurers realize these opportunities? A large part of that answer lies in taking advantage of the best technology available – and with the arrival of Software as a Service (SaaS) solutions, carriers now have the speed and agility they need to compete – all with less risk.

But before we examine the impact SaaS is having on the industry, let's review the main limitations of the status quo.

¹Novarica, "Speed to Market for Property/Casualty Insurers", March 2019

Legacy limitations, on-premises or in the cloud



Despite the availability of modern solutions, many carriers still rely on legacy core systems for their most critical business functions. Carriers that find themselves in this unenviable position struggle with modifying their core systems to meet their business needs; find it difficult to build supporting

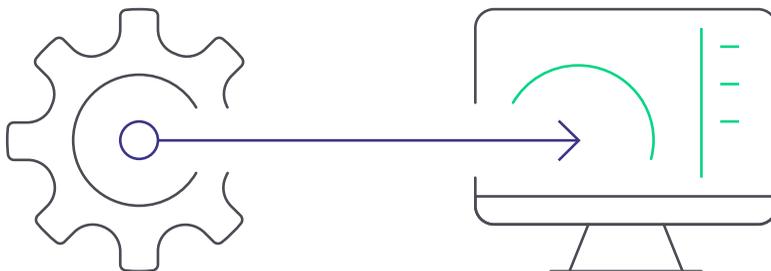
ecosystems that allow them to tap into new tools and services; are unable to put data from existing and emerging sources to work as competitive assets; and struggle to attract and retain innovative thinkers due to dependencies on outdated software development practices and decreasingly-common skill sets.

This holds true whether carriers are supporting on-premises software or the “modern legacy” approach of employing managed hosting (often also referred to as managed services) to put core systems in the cloud. Eliminating physical hardware does not remove the burden of implementations, upgrades, maintenance, and other important work from an insurer’s IT department. Moving on-premises software to hosting in a cloud environment only shifts how the infrastructure is delivered, which doesn’t attack the real problems slowing carriers down and preventing the pursuit of innovation.

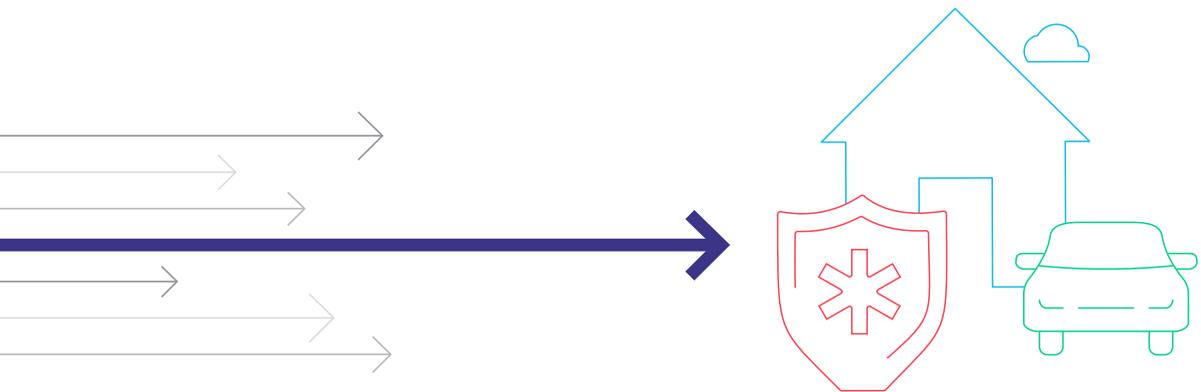
As a result, even in cloud hosting situations, simply conducting business puts significant strain on resources, presenting carriers with the following consequences:

- Opportunities are lost as limited resources force highly-selective progress on new initiatives.
- IT becomes a bottleneck as technology dictates strategy rather than the reverse.
- Software upgrades are so time-consuming and costly that carriers fall behind—frequently putting off upgrading their core systems for several years. By the time they do look to upgrade, so much technical debt has been accumulated, carriers can face a re-implementation project as costly as the original implementation.

Combined, these consequences can weigh insurers down to the point where true innovation and pursuit of ever-greater speed to market can fall out of reach.



SaaS is the future of P&C



With SaaS, the roles of IT teams and tech shift from trying to keep up with upgrades, management, and maintenance to focusing on supporting innovation initiatives. Insurers are not only able to offload technical responsibilities for greater operational efficiency—they also gain flexibility, scalability, and the benefits of performance tuning, ensuring their core systems will run at optimal speed needed to support fluctuations in demand at all times. Perhaps most importantly, SaaS also supports continuous delivery of upgrades and industry content updates, ensuring carriers are always running on the latest core systems.

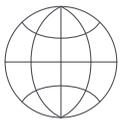
While in the past, business initiatives had to go on pause during costly, time intensive upgrade projects; with SaaS, the organization is able to more easily stay current and able to continue to execute on its playbook.

In addition, relying on specialized SaaS vendors to maintain and upgrade carriers' systems greatly increases the probability of IT projects going as planned—and as project hurdles and times are reduced, speed to market increases in lock step.

So, how can today's insurers take strategic advantage of the various benefits that SaaS core systems have to offer? Let's look at three examples:



Leverage continuous upgrades and configure as often as needed



Incorporating software upgrades and making regular improvements to core systems allows carriers to innovate faster, as well as limiting their chances of falling behind and/or introducing performance issues, or being in the situation where making any sort of modification to a core system—from making rate changes on a product to changing a customer workflow becomes a time-intensive IT endeavor.

One good example of a carrier taking advantage of these capabilities through continuous upgrades is [Berkshire Hathaway Specialty Insurance \(BHSI\)](#).

By combining low-code tools and SaaS, BHSI gained the ability to make configuration changes rapidly and not accumulate debt along the way. SaaS allows for a rapid test and learn process, in which carriers can easily roll out pilot programs to a small subset of their businesses, and over time roll out a full-scale implementation across all geographies. It also lets insurers quickly react to market changes and gives them the agility to rapidly launch new lines of business. Using SaaS, BHSI has been able to focus on growing their business, which now contains more than 60 products in nine lines of business live in all 50 U.S. states and 10 countries worldwide.



2

Tap into the insurtech ecosystem and leverage pre-built industry content



From motor vehicle reports and address validation to bureau circular content, replacement cost

estimates, and flood hazard metrics, there is a staggering amount of third-party data available. Accessing and applying this growing volume is critical, but also means carriers have more to integrate and maintain.

Today's insurance SaaS vendors have productized third-party integrations, removing the time and risk of developing custom integrations in-house. SaaS vendors also handle ongoing support and maintenance; whenever a third party makes a change to its offerings, the SaaS vendor promptly triages the issue and updates the integration, so core systems stay up to date and continue calling the latest data. With SaaS, not only do carriers no longer need to pick and choose a select few partners to integrate with because of time constraints, they also reduce the risk of having to redo these integrations when upgrading core systems.

Of course, no SaaS vendor has every third-party integration built, and there will always be those that

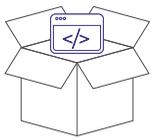
haven't yet been productized. In these instances, and when business users need an integration built immediately, carriers can allocate IT resources that would otherwise be occupied with core systems maintenance to fulfill these requests.

An example of this strategy in action is West Bend Mutual Insurance.

The insurer [moved its full suite of core systems to SaaS](#), freeing up IT resources to focus on innovation and customer experience. With its SaaS vendor now also handling management of commercial lines content updates by maintaining and applying their prior deviations as a service, West Bend not only stays current with critical industry content to write business based on the most up to date actuarial data, but resources can be redeployed to support non-bureau product development. Applying this SaaS capability strategically lets carriers view their core systems as agile, nimble assets. The upgrade process is no longer a hindrance, it's a strength, energizing organizations to use new features and content to their advantages.

3

Leverage out-of-the-box capabilities to get a minimum viable product to market quickly



The best modern SaaS platforms are sophisticated enough to allow carriers to benefit from capabilities immediately, and enable carriers to realize fast and smooth implementations, providing them with the agility they need to meet market opportunities. Companies can launch new insurance products using out-of-the-box functionality and layering custom front ends via APIs. While these core systems can be highly efficient, cost effective, and get product to market quickly, it is important to evaluate solutions carefully. To fully benefit from an out-of-the-box strategy, the SaaS solution must be able to support P&C-specific use cases, transactions, workflows, and users out of the box, such that low-code configuration tools are used only to modify product definitions to carriers' unique specs.

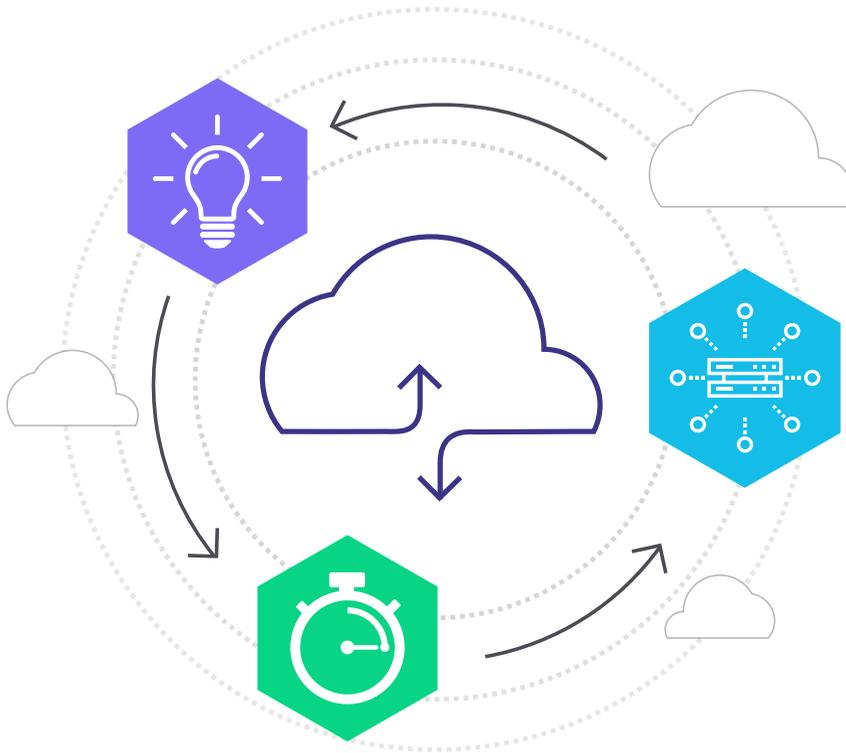
Cerity, a division of Employers Holdings, Inc., is a great example of a carrier leveraging SaaS out-of-the-box

efficiency to [quickly get to market](#).

Rather than launch a challenging project with the legacy resources of an established insurer, Cerity was created as a greenfield initiative—with four employees and no IT infrastructure. Using out-of-the-box industry content, SaaS policy administration, and billing solutions, Cerity was able to get to market in less than a year, and create a unique direct-to-consumer small business web resource for purchasing workers' compensation insurance—in under five minutes from start to finish. The only customization the team did was in developing a proprietary website and predictive model, which they were able to easily integrate into their SaaS core systems by utilizing APIs.

This approach allows even large, established carriers to seize market opportunities by acting like startups; the ability to iterate and pivot quickly provides flexibility to adapt and grow with the needs of insureds and changing market forces.

Conclusion



It has never been more important for carriers to have the most up-to-date core systems at their disposal. Pursuing new opportunities, creating differentiated customer experiences, and delivering innovative insurance products require speed and agility that legacy systems simply cannot deliver. Going far beyond managed hosting services, SaaS gives carriers all of these advantages and more.

Just as mainframe solutions and home-grown software gave way to web-based on-premises systems, SaaS has arrived as the next-generation delivery model for insurance. And its value applies across the industry—from greenfield startups to established players. Which aspects of SaaS carriers capitalize on most is tied entirely to companies' short- and long-term strategies. The question is, how will your organization leverage it to win?

Learn about our SaaS solution, [Duck Creek OnDemand](#).

ABOUT DUCK CREEK

We are Duck Creek.

We give insurers a genuine path to the future with advanced technology grounded in decades of industry expertise, responsive to the unique challenges of each carrier, and shaped by the day-to-day of human behavior.

We believe that technology should empower ingenuity, rather than replace it. Our solutions are inspired by scenarios, not screens, to accommodate variability and make room for creativity. We strive for outcomes that are immediately felt and need little explanation - where highly-customized environments flow seamlessly into how you think and work, and deep technical complexity is experienced as a moment of radical simplicity.

We are sustained by a persistent curiosity that isn't afraid to challenge the norms of this industry - that believes the vision for tomorrow need not be tied to the legacy of today - and it is our job to get you there a little sooner.

We are in the business of technology, but we also know that technology is a means to a bigger, more hopeful purpose - to incubate the ideas that will make carriers faster, smarter, and stronger; to enable people to realize their full potential; and to insure the possible, today and tomorrow.

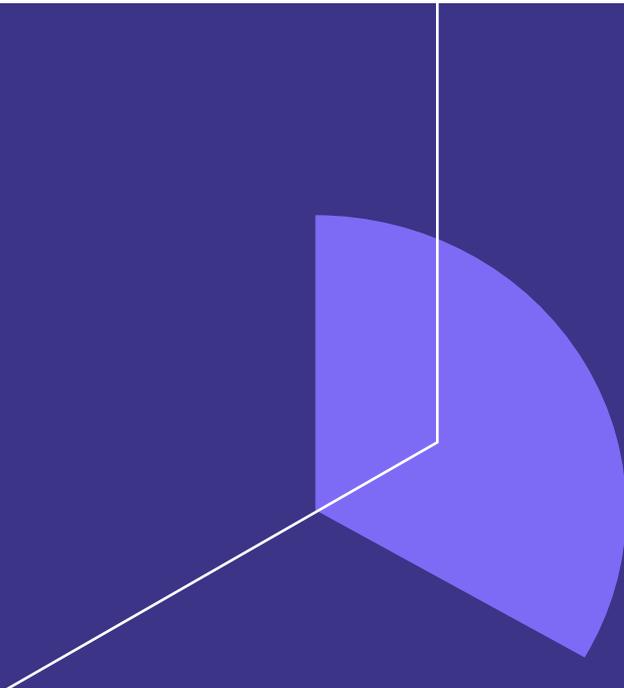
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