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Increasing Speed to Market in the Life Insurance Industry

How an industrialized software platform helps insurers reduce time to market for new products

Overview:

Why competitiveness depends more than ever on speed and lower costs

Despite stronger balance sheets and a degree of earnings momentum, life insurance and annuity carriers face intensified cost pressures, continued market uncertainty and increased regulatory scrutiny in the immediate future. Erosion of profitability across the industry dictates ever-more aggressive measures to reduce costs.

At the same time, despite these economic challenges, insurers must innovate within their product portfolio and move those products to market faster than ever before. In a tight economy, an extra 30 or 60 days of robust revenues before imitators rush into the market can be the difference between profitability and stagnation.

Industrialized development and delivery platforms are a key to achieving high performance in this environment. An industrialized software platform for life insurance services embeds best practices and reengineered processes into an overall infrastructure and software solution. The result is more rapid and frequent rollouts of innovative products and less risk from both a market and regulatory standpoint—all the while squeezing out unnecessary spending. To compete and win, simplification and standardization must now be part of the process and technology capabilities of every life insurance and annuity carrier.



Challenges and opportunities

The global economic environment continues to challenge the life insurance industry, with broad effects on strategy and financial planning. A recent Towers Watson survey of life insurance CFOs found that the economy remains the number-one challenge facing their companies, with impacts ranging from reduced customer demand to increased regulation. Right behind economic concerns on the list were “achieving attractive growth rate in sales” and “expense and cost management.”

In spite of these challenges—or perhaps because of them—insurers must still innovate in terms of products and get them to market faster than ever. The nature of innovation itself has changed in the industry during the downturn. In a healthier economy, insurers could pursue product innovation through additional features and riders—more complicated products that delivered a strong customer benefit while still ensuring profitability. Today, innovation is more about simplification; a product that requires 20 minutes of explaining won't sell very well.

Simplification, in turn, is leading insurers to focus on agility and market responsiveness. A product may have a basic, simplified structure, which coupled with the individual attributes of a rider, can be manipulated quickly based on market movements, customer demand and competitor analyses. So, high performance in the life

insurance industry is increasingly a matter of cost control, agility and responsiveness. Ultimately those demands boil down to the need to structure and manage product development in such a way to achieve faster speed to market. Selecting the right software platform is critical, as it can play a pivotal role in enabling insurance companies to launch products faster and more frequently, while reducing development costs.

Overcoming the obstacles

Insurers face multiple obstacles in reducing their time to market. One is ensuring that a product is based on solid business processes that are characteristic of high-performance insurers. Another is the driving down of integration points from a technical and systems perspective. A third has to do with the regulatory and approvals environment, simplifying those steps as much as possible to get the product to market faster.

The Accenture Life Insurance Platform helps insurers overcome these obstacles in several ways.

Improving consistency and reusability

The Accenture Life Insurance Platform features product configuration capabilities that offer support for more than 400 built-in actuarial, mathematical and statistical functions. These functions provide consistency and reusability within the product toolset. They also enable a product designer to

create configurable user functions allowing complex calculations to be implemented without the need for additional programming.

The platform also offers two tools—a product testing workbench and product value debugger—which enable configuration and testing within the same product configuration environment. As a result, cases can be quickly entered or imported, transactions can be applied, results can be viewed immediately and products can be adjusted swiftly and easily.

Additional functionality includes a variety of base and optional coverages and benefits, comprehensive premium calculations, a complete set of charge structures, and a policy change capability. The platform includes life and annuity product support and annuity product support for fixed and variable deferred and immediate annuities. Annuity product support includes variable processing, equity index adjustments, market value adjustment, rider definition and management, and payout processing.

Simplifying the operational environment

The platform also offers increased configurability of the user experience, allowing insurers to create a more efficient environment that enhances business processes and reduces training requirements. Product configuration and automated testing capabilities streamline the introduction of new products, taking the system out of the critical path of new product development and enabling insurers to go to market ahead of the competition.

A modern user interface readily integrates existing legacy platforms, provides a seamless transition during implementation and delivers a cost-effective alternative to conversion along with a consistent look and feel. The result is a more effective organization, a simpler operational environment and lower overall costs.

With effective configurability, auto-suggest capabilities and an enhanced ability to quickly search for customers and contracts, the Accenture Life Insurance Platform offers a user experience that is more intuitive and consistent.

Reducing time to market for local products

Business and product configuration features in the platform can also improve the process of localizing the software platform for non-U.S. markets. The software enables users to have access to increased international and multi-country capabilities, including global addresses and financial institutions, multiple tax regimes and support for additional languages. The platform offers a multilingual environment with the ability to change languages in real time. For example, at the heart of our Life Insurance BPO offering in France is a software platform customized for the unique business and regulatory requirements in that country.

Understanding an insurer's unique environment and goals

Of course, no software platform comes “out of the box” ready for every environment or any company’s goals. What’s important is to balance industrialization and localization—standardizing wherever possible and then rapidly configuring unique business, product and technical capabilities to enable faster speed to market.

This balance is achieved during the requirements gathering phase. Exposure to an insurer’s products already exists in most cases through an existing client/vendor relationship, knowledge that is then augmented through a sales or RFP process. Building on that initial level of familiarity, work is conducted during a requirements analysis phase to analyze the unique needs in three streams of work:

1. Product configuration
2. Business configuration
3. Technical integration

1. Product configuration

Knowledge of products and product plans is gained through analysis of specifications and discussion of those specifications based on existing product sets and business goals. The ultimate goal is to drive

the addition of new components—features, coverages, transactions, values and calculations—through configuration wherever possible while then using code extensions only where necessary to provide capabilities required for a particular product component. This means components can be created quickly (and then reused) by leveraging templates, which increases development speed.

A distinctive feature of the product configuration capabilities of the Accenture Life Insurance Platform is what we call the Accenture Calculation Engine—a scripting tool that enables developers to more quickly configure values and calculations. This approach does away with the uncertainties of translating what’s in an actuary’s head into what needs to be in the system. Calculations and functions can be developed very quickly and reused.

Another vitally important capability from Accenture’s perspective is our product testing workbench and product value debugger, which allow a product designer to focus closely on a single transaction process, analyze exactly how that process affects data elements associated with the case, move through the transaction process step by step and drill down into complex calculations. Based on actual implementation experience, these industrialized testing tools can reduce product testing time and costs by up to 66 percent.

2. Business configuration

On the business side of the equation, configuration takes place at three levels. The first is business process configuration—looking, for example, at how a case is entered into the system through an application, or how a premium transaction is entered. These processes are then controlled by the business process configuration tool, enabling insurers to implement their specific configuration without coding changes to the system.

Our life and annuity insurance software platform helps orchestrate business process configuration that is based initially on best practices and then customized for a particular insurer's environment. We work with current use cases to better understand the performance of actual (as opposed to perceived) configuration. We also automate processes such as billing wherever possible.

In terms of the user interface, an insurer also has the ability to customize how inputs are made through page configuration rather than requiring coding changes which can cause delays and increase risks down the road.

A final important aspect of business process configuration concerns the analysis and use of business rules. When an insurer implements a product or process, certain rules enable the highest degree of efficiency in the process. It's important during implementation to make sure that the right fields are entered in a process and that

the values are correct. The software platform enables validations to be configured and reused, and also offers metrics and testing. Insurers can test a rule with simulated data, and can also define metrics attributes and then track how the rules are being used.

Such a capability can dramatically improve efficiency and speed. Consider an insurer with 300 underwriting rules defined during requirements analysis. The configuration tool can help that insurer to understand which rules are actually being used and which are not. For example, during testing, we might find that 20 percent of those rules are never used. Identifying and eliminating or consolidating such rules can reduce the configuration effort and support faster time to market.

3. Technical integration

Three elements of the technical integration approach at the heart of the Accenture Life Insurance Platform are particularly notable:

- **Platform neutrality.** From an architecture perspective, implementation is not tied to any particular platform—application server, Web server, operating system, database and so forth. Needing to configure and integrate across all those components adds to risk and development time. With the Accenture Life Insurance Platform, software is preconfigured for a company's existing environment, with no requirement to implement a new database or integrate other components not already a part of its technical platform.

- **Standard integration approach.**

A standard approach can reduce risks and speed up implementation times. Integration can often account for anywhere from 25 percent to 50 percent of overall project costs and development times. Whenever a new product or product line is introduced, new integration points and interfaces then add to the complexity of the technical environment. With the platform, standardized interfaces mean that, once an interface is established, changes can be achieved through configuration rather than programming or recoding.

- **Advanced development environment.** Finally, the development environment—a Web user interface with access rights to all participating in development—means there is literally no rollout time required following configuration.

These three aspects of the platform's technical environment produce a host of important benefits:

- Rapid and more frequent rollout of innovative products
- Reduced development costs
- Improved operational efficiency
- Lower policy acquisition costs
- Improved customer interface
- Better use of IT resources
- Robust, scalable system functionality
- Support for a global delivery model

High performance delivered: The benefits of an industrialized life insurance software platform

Security Benefit Group is a privately owned US-based asset accumulation, money management and insurance firm. The company found itself in a position where it sought to extend the capabilities of its existing annuity administration system, but was severely restricted by old technology and a backlog of application changes.

This aging IT environment was affecting the ability of the company to get products to market. Typically, it took Security Benefit Group from 12 to 16 months to get a new annuity product to market.

Security Benefit Group implemented the Accenture Life Insurance Platform to administer its product lines. Accenture provided administration and product development capabilities for both traditional and variable life and annuity products. The ability of the Accenture Life Insurance Platform to support multiple technology platforms has allowed Security Benefit Group to implement the platform on UNIX/Sun Solaris and Windows NT/98/95 operating systems with an Oracle 8.0.5 database.

Today, Security Benefit Group's new-product introduction time ranges from two to six months, including regulatory approvals. The industrialized platform has also driven significant savings, including a 40 percent reduction in IT operating costs and a 30 percent decrease in service costs per policy. The platform is also supporting the company's expanding use of business process outsourcing to streamline the environment for its annuities line of business.

Conclusion: Competing on speed

Cost pressures and market uncertainty continue in the life insurance business. To compete more effectively, insurers must move new products to market as rapidly as possible, but that goal is often compromised by an aging and restrictive IT environment. To meet tomorrow's challenges, insurers should take advantage of a preconfigured, reusable and reliable standardized life insurance software platform that improves consistency and simplifies the operational environment.

An industrialized platform can reduce time to market dramatically—sometimes by 50 percent or more. Product and business configuration, technical integration and prebuilt functions can remove complexity from the product development environment, helping insurers gain a competitive edge.

To meet tomorrow's challenges, insurers should take advantage of a preconfigured, reusable and reliable standardized life insurance software platform that improves consistency and simplifies the operational environment.

Why Accenture?

Accenture is viewed as a market leader with deep industry knowledge and extensive systems integration capabilities.

Accenture has 30 years of experience in the insurance industry with a dedicated business, Accenture Software, which focuses on developing differentiated software-based solutions.

Why Accenture Life Insurance Platform?

The Accenture Life Insurance Platform is a trusted software suite used by more than 40 leading life insurance and annuity carriers, enabling them to transform their policy administration operations, reduce operating costs and increase speed to market.

The Accenture Life Insurance Platform won Celent's 2010 North American Life Insurance New Business and Underwriting Systems XCelent Functionality Award and XCelent Customer Award.*

The Accenture Life Insurance Platform received a "Positive" rating in Gartner's MarketScope report, published June 23, 2010.**



* Source: Celent "North American Life Insurance New Business and Underwriting Systems", 2010.

** Source: Gartner "MarketScope for North American Life Insurance Policy Administration Vendors", Steven Leigh, June 23, 2010.

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Accenture Software combines deep technology acumen with industry knowledge to develop differentiated software products. It offers innovative software-based solutions to enable organizations to meet their business goals and achieve high performance. Its home page is www.accenture.com/software. For Life Insurance software, its home page is www.accenture.com/lifesoftware.