



High performance. Delivered.

How software as a service is
revolutionizing automated new
business and underwriting systems



accenture

consulting | technology | outsourcing



Life insurance and annuity carriers today face intensified pressures to reduce costs and improve efficiencies across the end-to-end policy lifecycle in a way that can create market advantage. Driving better performance in the area of new business and underwriting is especially important. Reduced customer affordability is forcing many carriers to offer lower face-value policies in the middle market—underscoring the need to reduce the costs to put new business in place. Speeding up the underwriting process is also important, since the longer it takes to perform underwriting for a new account, the greater the chance the application might be withdrawn. The automated capabilities of a new business and underwriting system are therefore increasingly attractive. Such systems can enable insurers to more rapidly process new applications and assess risk, while reducing the cost of issuing policies.



Accenture believes that one of the most important trends in the area of new business and underwriting systems is the growing use of a software as a service (SaaS) delivery model. Buying software with a SaaS licensing option is attractive to insurers that do not need a customized solution; companies can leverage pre-defined templates and pre-existing configurations based on best practices and the experience of the SaaS provider. A SaaS approach can also shorten implementation times and give firms ready access to IT maintenance and monitoring capabilities, eliminating the need to hire specialized skills.

On-premise new business and underwriting systems will still be an important option for many insurers. However, for smaller or mid-tier carriers, SaaS offerings can provide robust capabilities in automated underwriting without the upfront cost of systems and hardware. Larger carriers can also implement hybrid models with on-premise solutions combined with SaaS solutions for specific functionality.



The growing popularity of automated new business and underwriting systems

Automated systems for new business and underwriting deliver important benefits to insurers in terms of speed, accuracy, cost reduction and improved service. And such systems are increasingly popular. For example, Navy Mutual Aid Association, a non-profit mutual benefit organization for active-duty, reserve and retired members of the U.S. sea services, has reaped significant value from its automated system for new business and underwriting.

Navy Mutual sought to replace its existing systems with a modern system for new business, underwriting and policy administration that would make it possible to:

- Improve service to members by bringing better products to market faster, supporting straight-through processing and improving access to information.
- Maximize return on IT investment by avoiding the maintenance costs associated with legacy systems, minimizing reliance on scarce skills and ensuring compliance, audit functionality and documentation.
- Optimize talent by improving employee retention and reducing non-value-add activities.

Accenture helped Navy Mutual implement the Accenture Life Insurance Platform. The platform supports all of the insurer's policy administration and new business functions and completely replaces its existing systems. Accenture is also helping it to securely migrate all of its policies from its legacy system to the new platform using Accenture's Insurance Data Migration Factory. The new platform will help to drive U.S. growth for Navy Mutual by reducing the time it takes to create and launch new products and services.

According to Tom Benton, Vice President of Technology and Systems for Navy Mutual, "This systems replacement program is critical to support Navy Mutual's growth agenda, as the new platform will allow us to more easily create products that meet our members' needs and bring these to market faster."

Across the industry, automated systems are delivering impressive benefits, including:

- **Faster cycle times.** The automated system facilitates rapid processing of new applications using real-time validations as well as systematic ordering and receipt of requirements and automated workflows, resulting in faster close rates.
- **Improved accuracy.** The rules-based decision engine of the automated system improves the accuracy of the new business and underwriting process.
- **Better customer service.** An effective automated system can increase efficiency and flexibility in the new business process, providing higher-quality service to producers and customers. The Web-based system also offers advanced usability features in the new business application process.

- **Cost benefits.** Automated systems can help insurers reduce per policy costs for new business and underwriting over time. Total cost of ownership for the software can be significantly reduced because of the Web-based distribution methods. Estimates of overall savings can be as high as 70 percent.¹ A recent article published by Celent² estimates that a 10 percent improvement in instant issue could result in operational savings that can pay for an automated system in a few years.

Automated systems will never do away entirely with the need for underwriters. However, life insurers are successfully using automated new business and underwriting systems for simplified issue and non-medical underwriting. This has meant that underwriters are able to focus their attention on more complex cases.

Ratcheting up the value: New business and underwriting delivered on a SaaS model

Software solutions such as Accenture's automated system for new business and underwriting are expanding options to include a software as a service delivery model. Through a SaaS licensing and delivery option, the software capabilities are made available as a service—using a Web browser to access the software in the cloud—with costs assessed on a usage basis. Companies do not have to acquire hardware, nor deal with costly software upgrades and maintenance costs. They can all subscribe to a shared infrastructure as well as shared help desk services.

The results can be impressive:

Faster deployment and upgrades

The SaaS option provides a rapid rollout of new business and underwriting capabilities. Leveraging an existing infrastructure and out-of-the-box functionality provides carriers with shorter and more cost-effective implementation projects. Because the SaaS provider manages all updates and upgrades, there are no patches for customers to download or install. The SaaS provider also manages availability, so there's no need for customers to add hardware, software or bandwidth as the user base grows.

Reduced costs and risks

Cost savings are rooted in several capabilities of the SaaS licensing and delivery model. A cloud-based deployment option reduces redundancies and achieves economies of scale in run and maintenance costs. Initial costs are also reduced because there are no license fees involved; SaaS applications are subscription based. Having the SaaS provider manage the IT infrastructure also results in lower IT costs for hardware, software and the people needed to manage systems over time.

Greater scalability

As an insurer grows in terms of products, markets and customers, a SaaS licensing product grows with it. The SaaS product can also give an insurer important and even innovative out-of-the-box functionality



to sell new products. SaaS vendors can scale indefinitely to meet customer demand and many also offer customization capabilities to meet specific needs. Additionally, they provide application programming interfaces that let insurers integrate with existing ERP systems or other business productivity systems. Problems with standards are also lessened or eliminated because the SaaS product is built on a service-oriented architecture. This results in a plug-in/ plug-out capability.

Higher employee productivity

The SaaS system provides cross-channel (customer, broker, internal, etc.) access to new business data entry processes. Employees can also get help faster through integrated help desk capabilities that are a part of the standard service.

SaaS adoption: Slow but sure

Although the insurance industry has been somewhat slow to adopt a SaaS licensing or cloud-based deployment model for applications and systems, evidence shows that such traditional attitudes are undergoing a change. For example, Gartner recently conducted a survey of 1,022 IT respondents in several countries to assess the current rate of adoption of SaaS. The study found that 35 percent of insurance respondents currently use some form of SaaS, and 20 percent plan to adopt it within the next 12 months.³

Although the benefits of SaaS for smaller carriers are readily obvious—faster implementation of robust functionality at lower cost—a recent article from “Best’s Review”⁴ notes that SaaS can also be attractive for large insurers, who can use it as an alternative way to move new products to market faster. It can also enable large, global carriers to maintain functions 24/7 and in multiple languages.

Narragansett Bay Insurance Co. launched a major technology modernization initiative in 2010 and did not want to have to build an expensive technology infrastructure to support the systems. “To meet our timelines,” says Michael Anselmo, CIO of Narragansett Bay, “we selected a combined cloud and SaaS model, and it’s been very successful. Our SaaS provider manages all upgrades, customization and configuration of upgrades. It’s our own hosted services for our own core products, and it provides secure, redundant disaster recovery with limited staff resources.”

Barriers

What are the barriers to SaaS implementations, especially in the area of new business and underwriting? Data security, not surprisingly, is the concern most often cited, but there are others as well. Ellen Carney, senior analyst at Forrester Research, believes that an “institutional mindset” may be preventing companies from considering SaaS for core functions. There is a “craftsman mentality” among insurance IT professionals, Carney says; many CIOs wish to point to their success in creating their own customized, on-premise systems. Even the low price of SaaS may be a deterrent to adoption in some cases. Some insurers seem to believe that a low-cost system may not have the functionality they need, according to Carney.⁵



Choosing the right automated system for new business and underwriting

Insurers weighing automated systems for new business and underwriting—whether delivered on-premises or through a SaaS licensing model—should look for several distinctive characteristics of the most effective solutions.

Automated, rules-based engine to support effective decision making

Effective systems leverage an automated rules-based decision engine that rapidly and consistently analyzes underwriting risk and speeds the new business application process. A rules engine enables automated workflow processing and requirements tracking for each step of the policy lifecycle, from new business application through to issue of a policy. The rules engine enables insurers to better control underwriting processes and decisions, automatically assessing the risks associated with a case and adapting new business and underwriting processes accordingly. Drawing on configurable underwriting guidelines and rules, the system responds to application data with highly reflexive questioning and makes a series of underwriting decisions—including whether to “instant issue,” request additional information from third-party sources, or refer the case to an underwriter.

Centralized case data management

A robust underwriting workbench in the automated system maintains all case data in one place—impairments, requirements, tasks, case notes, related applications, reinsurance information, underwriting decision data and other essential case data. The workbench also provides a “single view of the truth”—that is, consolidated and consistent information—which supports better collaboration among agents, case managers and underwriters. Different parties can document, review, track and revise the financial and medical underwriting requirements for applications. The workbench automatically generates tasks to track actions required on a case.

Interfaces to third-parties

Interfaces to third-party vendors streamline and automate the underwriting process, improving the reliability and consistency of the underwriting process. A number of the cost benefits of the Web-based system can be lost if the system cannot effectively interface with medical and physician data providers. Platform neutrality, a service-oriented architecture (SOA) and the ability to pass and accept ACORD-standard and proprietary XML standards facilitate smooth communication. The system needs to evaluate a customer as accurately as possible and to do that it needs streamlined and integrated data.

Conclusion: Finding the right solution and delivery model

One of the important keys to success with automated systems for new business and underwriting—whether an on-premise system or one delivered with a SaaS licensing option—is finding a provider with both technical and industry experience. For example, it is critical for a SaaS provider to understand how its applications may force an insurer to adopt particular workflows or standard processes that may not currently be in place at the firm—and then to work with the insurer to improve and align its processes accordingly.

While some smaller carriers may well go with a 100-percent SaaS solution for some functions, other carriers (as seen in the Narragansett Bay adoption) are likely to embrace hybrid models, and that creates the need for an integrator that is adept at what is increasingly being called “cloud integration services.” Tomorrow’s IT departments are generally going to be hybrids of legacy systems, public clouds and private clouds inside the firewall. This can dramatically increase the complexity of the IT environment, and insurers will need experienced integrators to implement solutions and then maintain them over time.

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

The Accenture Life Insurance Platform was rated "Positive" in Gartner's latest "Market-Scope for North American Life Insurance Policy Administration Vendors", published June 21, 2012.

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.

References

- 1 "Today's Automated Underwriting: A Case of Bells, Whistles and Accuracy," Linn Cook, *Secondary Marketing Executive*, May 2007.
- 2 "Automated Underwriting Systems Key to Meeting Life Insurance Lower-End Market Demand," Karen Monks, Celent, January 31, 2011. www.insurancetech.com.
- 3 Gartner report, "Market Trends: SaaS in the Insurance Industry." Published November 14, 2011.
- 4 "Pay as you go: insurers have lagged in using Software-as-a-Service, but lower costs, improved speed and mature systems are changing that," *Best's Review*, April 2012.
- 5 "Letting Go of Core Insurance Systems Thanks to SaaS," Michael P. Voelker, January 2010. www.propertycasualty360.com.

About the MarketScope

Gartner does not endorse any vendor, product or service depicted in our research publications, and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 249,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$25.5 billion for the fiscal year ended Aug. 31, 2011.

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, the home page is www.accenture.com/lifesoftware.