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# Smarter, Faster Product Innovation

Strategic Imperatives for  
Property & Casualty Insurers





# Insurers no longer have the luxury of long lead times and slow, cautious product rollouts.

The insurance industry is changing at a pace that would have been unimaginable just a few years ago. At the center of this change is the customer, who has become accustomed to dealing with sophisticated online service providers such as Google and Amazon.com. Insurance customers are no longer satisfied with one-size-fits-all product offerings and expect products that are tailored, not just to their specific market segment, but to their individual needs.

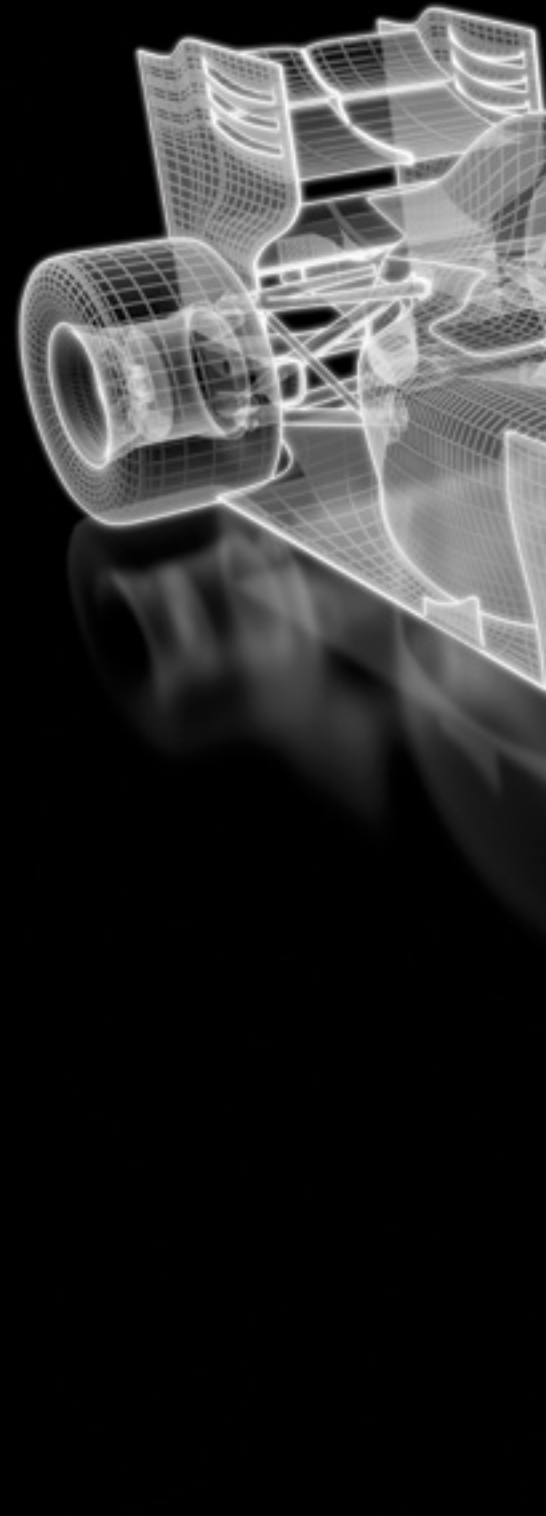
While customer expectations have been changing, a number of disruptive technologies related to the Internet of Things—ranging from vehicle telematics to the connected home—have come into play in the insurance market. They are making it possible for insurers to move away from the traditional pooling of risk, and to assess risk and establish pricing based on the behavior and requirements of the individual customer.

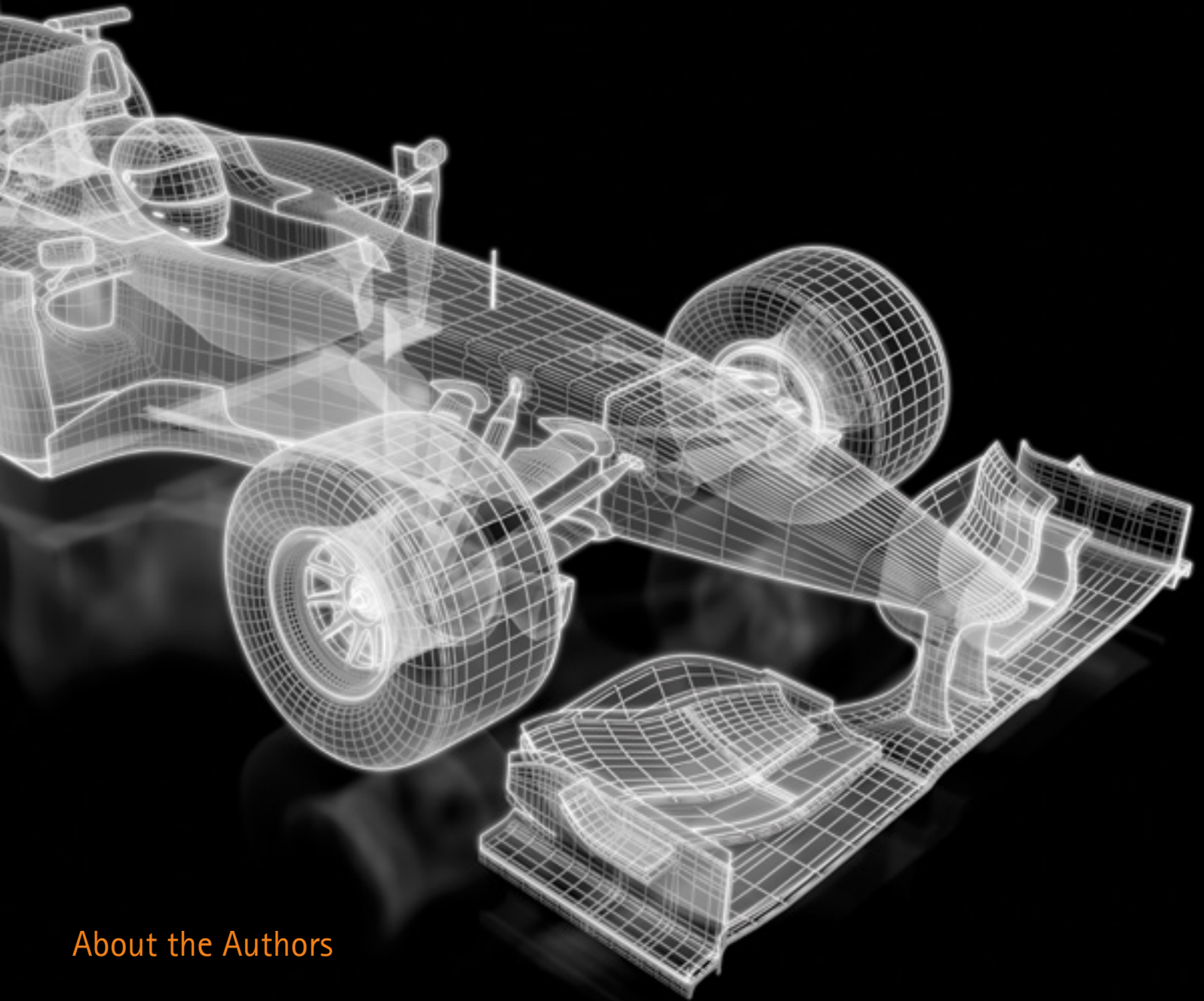
New competitors including Walmart and Overstock.com are now offering property and casualty insurance, and an entity called Google Compare Auto Insurance Services has obtained licenses to sell insurance in 26 states in the US. A 2013 Accenture survey of more than 6,000 insurance policyholders indicated that 73 percent of consumers would be open to buying insurance products from Internet giants such as these.

In the UK, new carriers such as insurethebox (which monitors driving with an in-vehicle telematics device and rewards drivers for desired behavior) and Drive Like a Girl (focused on young women drivers and also setting prices based on factors such as smooth driving and appropriate speeds) are creating market “buzz” and taking share from established insurers.

The pace of change means that insurers must be able to identify and respond quickly to rapidly emerging risks. In commercial lines, for example, some insurers have moved quickly to add cyber security and financial crime coverage to standard business-owner packages. They have established actuarial standards, set pricing and put rating and processing systems in place, in as little as three to six months instead of the 12 to 18 months that has been recognized as the “normal” speed for the development and launch of new products. Other insurers have moved quickly to create new products in areas ranging from travel insurance to appliance warranties.

This environment favors carriers that can conceptualize, develop, test and introduce products at high speed. Insurers no longer have the luxury of long lead times and slow, cautious product rollouts. The ability to do this quickly can be learned, but some basic elements must be in place. These include technological sophistication, organizational efficiency, strong internal governance and disciplined coordination of different operating functions.





## About the Authors



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**"Property and casualty insurance has become more competitive and the threat of new entrants looms large, so getting better products to market more quickly has become a top concern for insurers."**



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**"We see new risks emerging every day, putting pressure on insurers to adapt quickly with new offerings or lose market share."**

# The Benefits of Smarter, Faster Product Innovation

Smarter, faster product innovation and market delivery can have multiple benefits for insurers. An insurer with the ability to identify customer demands and quickly introduce products to meet those demands can improve its customer acquisition and retention rates and can create competitive advantage, even in a crowded marketplace. This can contribute to top-line growth.

Our own analysis indicates a positive correlation between product development capabilities, innovation and top-line growth. As seen in Figure 1 below, companies with a higher number of product introductions enjoyed a higher average growth in direct premiums written (DPW) over the five year period from 2008 to 2013. In fact, insurers with fewer than five new product introductions per year saw a decrease in DPW over that same five year period.

Although the benefits of introducing more products may be clear, insights from our own research—including a recent Accenture survey of 559 insurance underwriters and product managers—suggest that insurers struggle with product speed to market. Only 28 percent of respondents said they are able to roll out new products within a six-month time frame, while 40 percent said they still take 12 months or longer to take a product from idea to implementation. In addition, only 45 percent consider their existing product development tools to be “very effective,” with nearly 60 percent either currently investing in new product development tools or planning to do so.

Figure 1. Product introductions and growth in DPW, 2008–2013

Product Development Activity	Change in Average DPW Growth (08-13)	Average No. of Product Introductions
More than five new product introductions	6.84%	6.33
Fewer than five new product introductions	-1.98%	2.00

Source: Accenture analysis of published insurance industry data

# Not as Easy as It Sounds

Companies seeking to accelerate the pace of product innovation face many challenges including the difficulty of forecasting customer demand; the barriers posed by regulatory compliance; and the need to set prices at the right levels. In our work with insurers, we have identified additional challenges including:

- **Poorly Defined Customer Needs.** Many insurers lack an understanding of comprehensive needs; or, if they do understand the customer, they fail to integrate these insights into the product development process.
- **Overloaded Portfolio.** Too many insurers allow low priority initiatives to clog their innovation and development pipeline, straining company resources and blocking the progress of worthy ideas. Some products are developed despite a lack of impact and business value.
- **Market Risks.** Too few insurers test product innovation during development, exposing themselves to the risk of failing to understand market realities.
- **Technology and Adoption Risks.** At many insurers, outdated legacy systems inhibit innovation. Even after products are developed, there is a failure to consider needed go-to-market capabilities and the likely response of other partners in the ecosystem, as well as competitors.
- **Inefficient Processes and Poor Governance.** Insurers get bogged down in non-value-added activities and in waiting for decisions that should be made quickly and easily. Poor governance makes it hard to assign responsibility at various stages of the innovation process.
- **Resource Constraints.** Some insurers have the wrong people assigned to innovation and product development, while others fail to cross-train people, making it difficult to scale critical capabilities. Key resources can become overloaded, creating bottlenecks in the process.
- **Culture.** Not every company has the right incentives in place to encourage and reward innovation. Employees are quick to determine which behaviors and activities are rewarded and which are ignored, or worse.





Companies need to be able to identify risks and anticipate new product needs.

# Where Good Ideas Come From

There is a rapid pace of change in the insurance industry, with new risks emerging all the time. Companies need to be able to identify risks and anticipate new product needs. Fast, effective innovation—and delivery of the resulting products to market—does not take place in a vacuum. Insurers need to put customers' demands at the forefront of their innovation efforts. Many insurers interact with thousands of customers daily, and in many different ways (for example, through an agent, online, via a customer care center, or through other avenues).

These interactions should be the source of actionable insights identifying the features and functions of products desired by specific customer segments—products for which those customers are willing to pay a realistic price. These insights are critical to establishing and incorporating product requirements at every stage, from ideation to delivery.

While drawing insights from their customers, insurers also need the ability to react quickly to technology and market changes, especially as they affect emerging risks. When the Ebola

epidemic came to prominence in 2014, for example, some insurers were able to adapt business interruption policies to cover this new risk. Leading insurers are also broadening their view; instead of looking only at products, they are looking at new ways to offer services, expertise and partners' products from their existing platform. To accomplish this, we believe that insurers should focus on four key areas.

## Improving Product Speed to Market

As seen in Figure 2 below, we believe insurers can take action in four key areas of the product development lifecycle to improve the speed of product development and delivery.

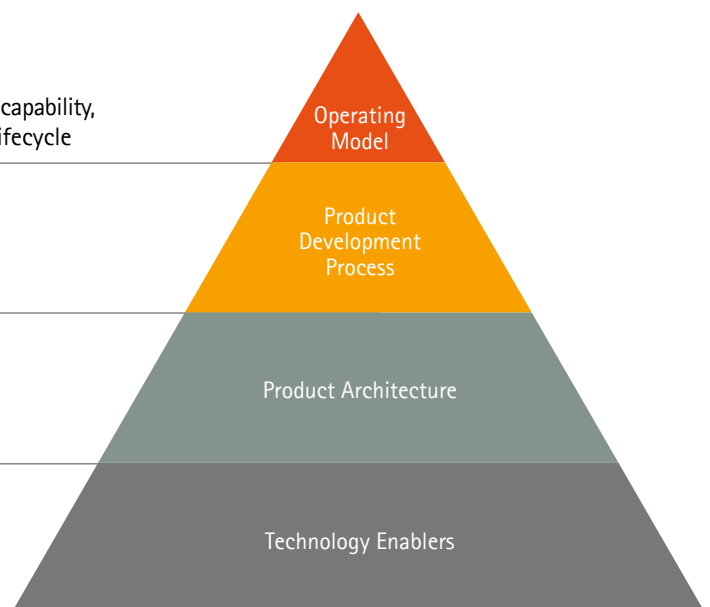
Figure 2. Product Development—Four Key Areas of Action

**Operating Model:** Confirm that the operating model—which depicts people, capability, and business requirements—properly supports the product development lifecycle

**Product Development Process:** A consistent, repeatable, and streamlined process allows for efficient product development

**Product Architecture:** Using a product model hierarchy approach to architecture further enables speed to market

**Technology Enablers:** Modern technology applications reduce product implementation timelines and support centralized organization of product architecture



## 1. Operating Model

A sound operating model that supports the product development lifecycle is important to improving the speed with which new products are deployed. Features of a sound operating model include:

- A clear organizational structure that establishes ownership, accountability, and decision-making responsibilities at all levels;
- Active participation and cross-collaboration in product development across functions and business units such as underwriting, actuarial, and IT; and
- Proper governance, to facilitate continuous leadership commitment and sponsorship of specific ideas.

With these elements in place, insurers can act quickly upon new, innovative technologies and respond to changing market trends. The right operating model can also foster an integrated approach to product development rather than a cumbersome, compartmentalized process. As seen in Figure 3 below, an effective product organization coordinates activities across lines of business, as well as Underwriting, Actuarial, IT and other functions.

**Figure 3. Elements of an Effective Product Organization**

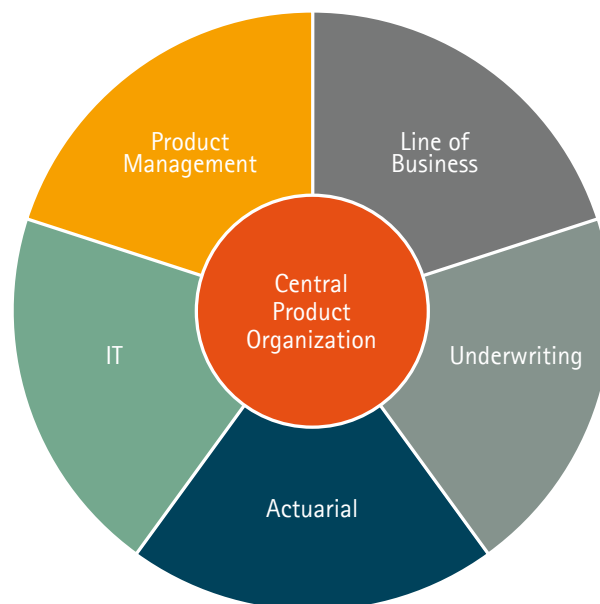
A high-performing product organization owns the coordination of product activities across the line of business, and the Underwriting, Actuarial, and IT functions.

### Product Management

- Market research and profitability analysis
- Product design
- Filing management
- Impact analysis and modeling
- Deployment
- Product maintenance

### IT

- Product design input (e.g., complexity, cost)
- Product system development/ deployment maintenance



### Line of Business

- Market research inputs
- Product design approval
- Development support (e.g., training, marketing)

### Underwriting

- Rule and form development
- Book impact analysis/modeling inputs

### Actuarial

- Profitability analysis inputs
- Rate development
- Impact modeling
- Rate change modeling and design
- Rule and form maintenance



## 2. Product Development Process

Being best in class at developing new product ideas and delivering them to market quickly requires an end-to-end view of the product development process, with clearly defined activities and deliverables at each point. Each point in the process should also be influenced by customer insights and expectations, so that as the product moves through the lifecycle its main purpose or objective remains clear to all involved.

Ideally, the product development process should be consistent, repeatable and streamlined, and should align organizational

accountability with product innovation goals. When correctly defined, the operating model and product development process should complement each other.

For many insurers, the product development process is highly manual, with multiple hand-offs and interdependencies across business areas reducing speed to market. The use of collaboration tools along with product configuration and deployment technologies can not only increase speed but can also support the consistent application of best practices in product development.

The establishment and use of key performance indicators (KPIs) throughout the process can help insurers measure not only the speed at which new products are brought to market but also whether products meet their initial objectives once launched. Specific KPIs can measure how many new products are launched, the time from concept development to actual loss monitoring, and post-launch profitability. KPIs can also provide performance data on customer adoption, which can be used for future decision-making.



### 3. Product Architecture

The way that insurers approach product architecture can have a significant impact upon how quickly they are able to bring new products to market, or make changes to existing products within their platform. In many cases, carriers face the challenge of a large portfolio of products, where the architecture for each group of products has been separately created and maintained.

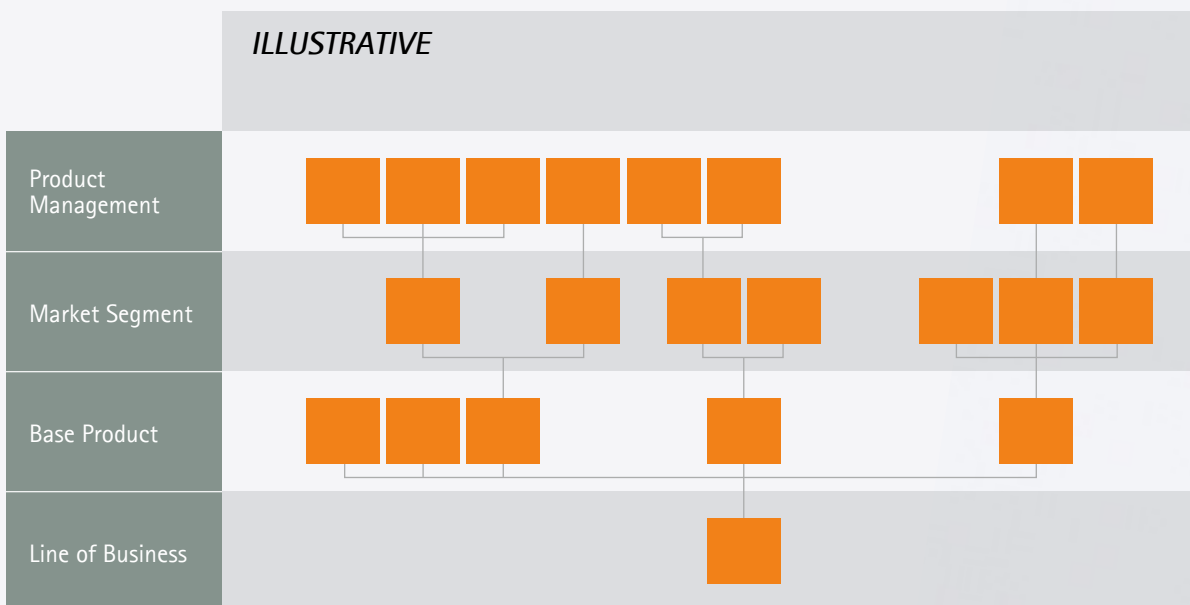
This can lead to high implementation and maintenance costs, longer timelines to introduce or update products, and decreased transparency in the product development lifecycle. In our experience the use of a product model—providing a structured way to organize product information across the enterprise—can reduce both time to market and product development costs. The product model typically starts with a base product or concept, and then creates variations upon that product or concept to produce multiple marketable products.

A product model often uses a hierarchy concept (Figure 4), which enables visualization, making it much easier to understand the relationships between product components both within a product and across products. Alignment to the definition of accountability or responsibility related to products tends to be unique by company. However, the product model is the way product information is organized in most modern policy administration and product management tools.

The product model approach provides a number of benefits including:

- **Re-use.** The product model decreases the number of times product architecture is duplicated across the enterprise.
- **Standardization.** It decreases the time to design the product model for a new line of business as the base definition has already been contemplated and proven via implementation of prior lines.
- **Comprehensiveness.** It captures all product information—from eligibility, pricing, and packaging to underwriting guidelines and forms—and everything in between.
- **Rationalization.** The product model decreases the overall number of products to be developed.

Figure 4. Product Model Hierarchy



#### 4. Technology Enablers

Technology applications that are obsolescent, poorly designed—or both—represent a major obstacle for insurers in the product development area. These can include old legacy applications, or business rules that are hard-coded within the system. They reduce the insurer's ability to quickly deploy and update applications that support new and existing products. New tools and technologies can reduce implementation timelines but can also reduce the time needed to make product updates based on market and/or regulatory needs.

An integrated development environment can support both the customized and centralized organization of product architecture, as well as collaboration capabilities linking business units, IT and other functions. An integrated environment can also provide a single, up-to-date view of changes to architecture and data. Integration also gives insurers the ability to re-use product components and to track product implementation and performance. Ideally, the insurer's technology platform centralizes product configuration and fosters integration with the current portal and policy systems.

Insurers facing changing customer expectations, new competitors and disruptive technologies can establish and maintain a vital competitive advantage by identifying and developing new products and bringing them to market quickly to meet demand. While the P&C market is always competitive, new opportunities appear every day. Insurers able to spot these opportunities, develop the right products and move quickly from concept to market can become leaders in this new competitive landscape.





## About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with approximately 319,000 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\$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is [www.accenture.com](http://www.accenture.com).

## Accenture Duck Creek

Accenture Duck Creek is a software suite offering comprehensive, full-featured property and casualty insurance software and SaaS solutions. Its configurable solutions are designed to work as a full end-to-end suite or as individual standalone components that adapt quickly and seamlessly to handle the unique needs of insurers of all sizes. Duck Creek software enables carriers to make better decisions in a real-time environment, streamline operations and improve their level of customer service. For more information, visit [www.accenture.com/duckcreek](http://www.accenture.com/duckcreek).

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