Duck Creek Technologies

Microsoft Azure

Staying agile and evergreen

The advantages of a SaaS core system for P&C insurers

Value focused, customer centric

Deliver what modern insurance buyers want

According to a recent report from Novarica, the average speed to market for P&C insurance carriers is now seven months for new products, and three for modifications[1]. These timelines are similar across lines of business, and they're shrinking fast. Carriers are focused on enhancing the customer experience—from developing new channels to engage customers, such as AI-powered chatbots, to automating aspects of the claims process by adopting digital customer service to "meet customers where they are."

To win in today's increasingly competitive P&C insurance industry, carriers need **modern core systems and solutions** that support their business strategies, and empower them 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 leverage these opportunities strategically?

A large part of the answer to that question lies in taking advantage of the best technology available. With the rise of SaaS, carriers now have access to modern, low-code-driven core systems purpose-built to solve insurance-specific use cases. They also receive a set of services and support, which allows them to have a business-first focus rather than having to manage the underlying technology. Working in a SaaS environment such as Duck Creek Technologies, which is deployed in the Microsoft Azure cloud, carriers now have the speed, agility, security, scalability, and reliability they need to move into the future.

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

---

1 Novarica, "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. They also often find it difficult to build supporting integrations that allow them to tap into new tools and services. This can make it impossible to efficiently pull together data from existing and emerging sources to work as competitive assets. Working with these impediments, companies are at a big disadvantage when it comes not only to improving underwriting, rating, and claims decisions, but also when it comes to attracting and retaining innovative thinkers. Fewer candidates can—or want to—work with outdated software development practices and the similarly outdated skill sets they require.

This holds true whether carriers are supporting on-premises software or the "modern legacy" approach of employing managed hosting (often 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 consequences like these:

- 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.

The future of P&C is SaaS

With SaaS, the roles of IT teams and tech shift from keeping up with upgrades, management, and maintenance to **supporting innovation initiatives**. Insurers are not only able to offload technical responsibilities for greater operational efficiency, but by using SaaS offerings such as Duck Creek OnDemand (which takes advantage of the powerful Azure cloud), they also gain flexibility, scalability, and the benefits of performance tuning, ensuring their core systems will run at the 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, without impacting their day-to-day operations. While in the past, business initiatives had to pause during costly, time-intensive upgrade projects, with SaaS, an organization is more easily able to stay current and continue to execute on its playbook.

In addition, relying on specialized SaaS vendors to maintain and upgrade a carrier's system greatly increases the probability of IT projects going as planned—and as project hurdles and times are reduced, speed to market increases in lockstep.

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:

1. Leverage continuous upgrades and configure as often as needed

Incorporating software upgrades and making regular improvements to core systems allows carriers to **innovate faster** and limits their chances of falling behind, introducing performance issues, or being in the situation where making any sort of modification to a core system—such as making rate changes on a product or 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 Duck Creek's unique inheritance model, BHSI has launched more than 160 unique insurance products across nine lines of business in 50 U.S. states and 10 countries since 2016. Duck Creek's product factory, with its unique inheritance model, establishes a strict methodology that adheres to process design standards, as well as integration and regulatory requirements. 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 to over **$5 billion** in DWP since 2016.

The future of P&C is SaaS

2. Tap into the insurtech ecosystem and leverage prebuilt 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 it also means that 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, carriers no longer need to pick and choose a select few partners to integrate with because of time constraints, and 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 Duck Creek OnDemand, 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 advantage.

5

The future of P&C is SaaS
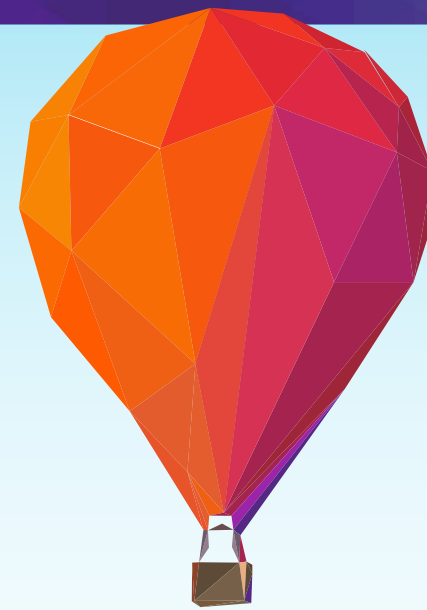
3. Leverage out-of-the-box capabilities to get a minimum viable product to market quickly

The best modern SaaS platforms are sophisticated enough to allow carriers to benefit from capabilities immediately, and to 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 and 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 to develop 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. And cloud scalability gives them the ability to support any spike in activity without a hiccup and have all the computing resources they need as they acquire new customers.

A powerful partnership for innovation

Pursuing new insurance business models, creating differentiated customer experiences, and delivering innovative insurance products requires speed and agility that legacy systems simply cannot deliver. SaaS core systems are critical to transforming your technology from a barrier to an enabler. Duck Creek and Microsoft Azure provide an ideal combination to all those ends.

Duck Creek OnDemand brings a unique combination of P&C applications and content, a low-code platform on which carriers can make changes to their core systems quickly and easily with efficient delivery via SaaS. The Microsoft Azure cloud platform serves as the cloud computing underpinning for Duck Creek OnDemand. It provides Duck Creek with the high availability, scalability, and flexibility needed to deliver carriers with an advanced SaaS solution.

Together, the combined offering of Duck Creek OnDemand contains all the services, support, and computing resources carriers need to move faster and with more agility than ever before. The combined solution lowers total cost of ownership and empowers carriers to take a fundamentally new approach to innovation.

Request a consultation with a Duck Creek expert

Duck Creek Technologies

Microsoft Azure

About Duck Creek Technologies

Duck Creek Technologies is a leading provider of core system solutions to the P&C and general insurance industry. By accessing Duck Creek OnDemand, the company's enterprise software-as-a-service solution, insurance carriers are able to navigate uncertainty and capture market opportunities faster than their competitors. Duck Creek's functionally-rich solutions are available on a standalone basis or as a full suite, and all are available via Duck Creek OnDemand. For more information, visit www.duckcreek.com.