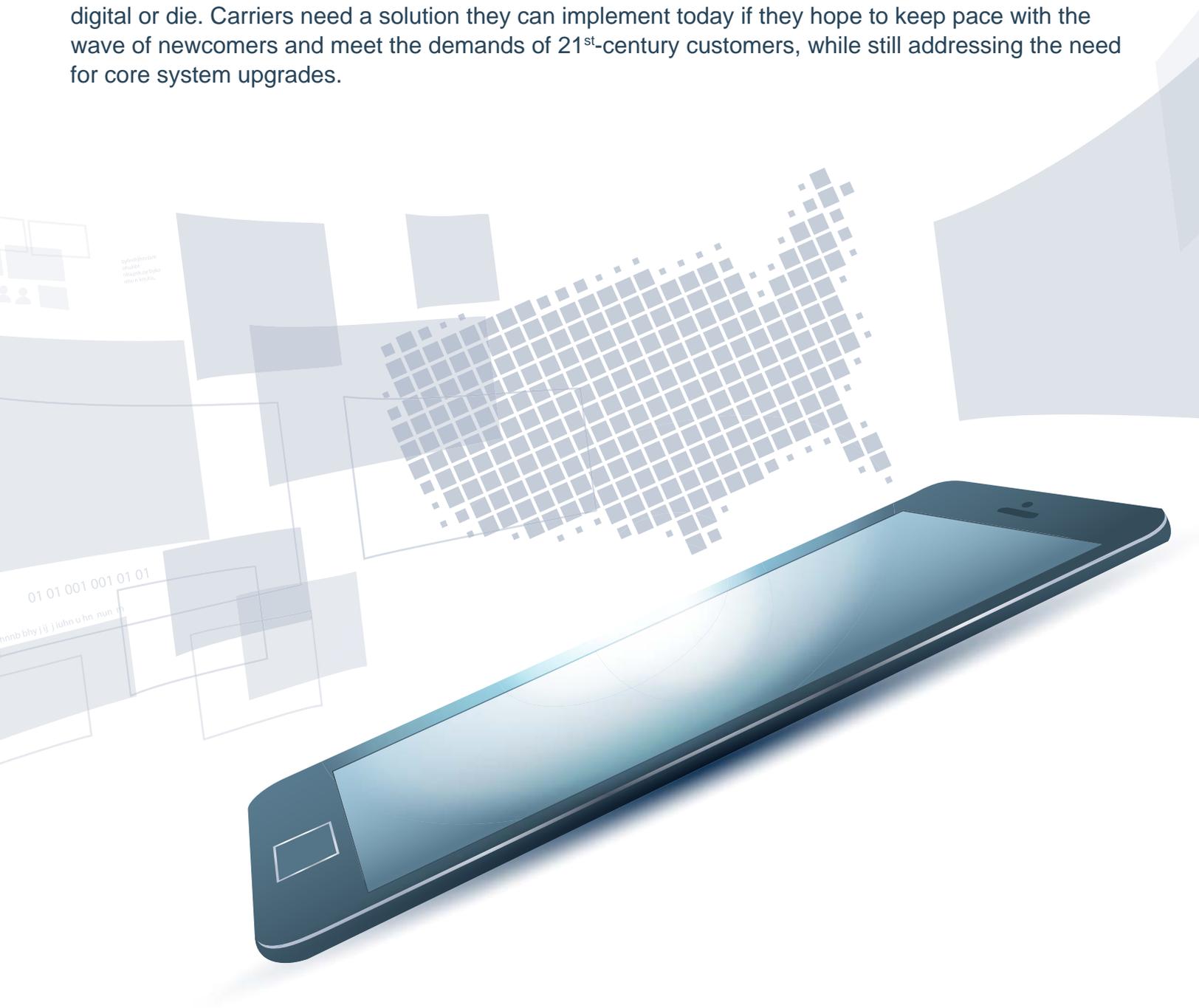




Replacing Core Systems Now Won't
Deliver Digital Prominence

Many insurers have been led to believe that replacing core systems is the only or best way to meet the urgency for digital capabilities required in today's changing market. Shrouded in ancient technology, much of it developed before present customer interaction preferences and demands emerged, there is no doubt that outdated systems are in need of extensive upgrades or outright replacements. However, those legacy overhauls are costly and the benefits are years in the making, while consumers expect digital proficiency today.

In the current environment of tech-savvy new entrants and expanding consumer preferences, it's digital or die. Carriers need a solution they can implement today if they hope to keep pace with the wave of newcomers and meet the demands of 21st-century customers, while still addressing the need for core system upgrades.



Driving the Need for Change



As other industries lead the way toward new customer interaction norms, insurers have been left behind, battling aging core systems and failing to provide the type of user experience customers are seeking. Given the paper-based nature of current systems, it's easy to see the difficulties in aligning them to the multitude of channels and digital interactions necessary to meet the expectations of today's consumers. As insurers look at the emerging environment, there are three basic factors driving the need for change:

- **Changing consumer experience expectations:** Customers are more mobile than ever before, and they want the ease of shopping for insurance when and where they please, with the ability to seamlessly move interactions across channels without losing their place or starting over.
- **The need for immediacy:** When looking for a quote, customers want to efficiently enter a few pieces of information which in a matter of minutes turns into a bindable quote that they can instantly purchase if they choose.
- **The demand for personalization:** To meet the standards set by other more customer-centric industries, insurers need to move

toward personalizing insurance interactions as well as the experience as a whole. Based on the level of digital service now standard in other industries, customers expect insurers to meet more of their needs more often by identifying coverage gaps and then offering a wider choice of products to ensure adequate protection against risk and loss, similar to the way Amazon uses customer merchandise searches to indicate new products or items that may better suit the customers needs.

Ease of use, immediacy, customization and product choice are all areas where insurers are struggling to adapt, and part of the reason they need to replace current systems, but given their lagging start and the fact that consumers are already moving toward the next ideal, waiting to realize the benefits of system overhauls is only putting insurers farther behind. What they need is a way to rapidly deliver the direct channels customers want while still supporting traditional agency and call center roles and offering the wide variety of insurance products that today's customer needs. Achieving this standard sets them right with consumers and gives them the flexibility to plan for future upgrades, secure in the knowledge that their customers' needs are currently being met.

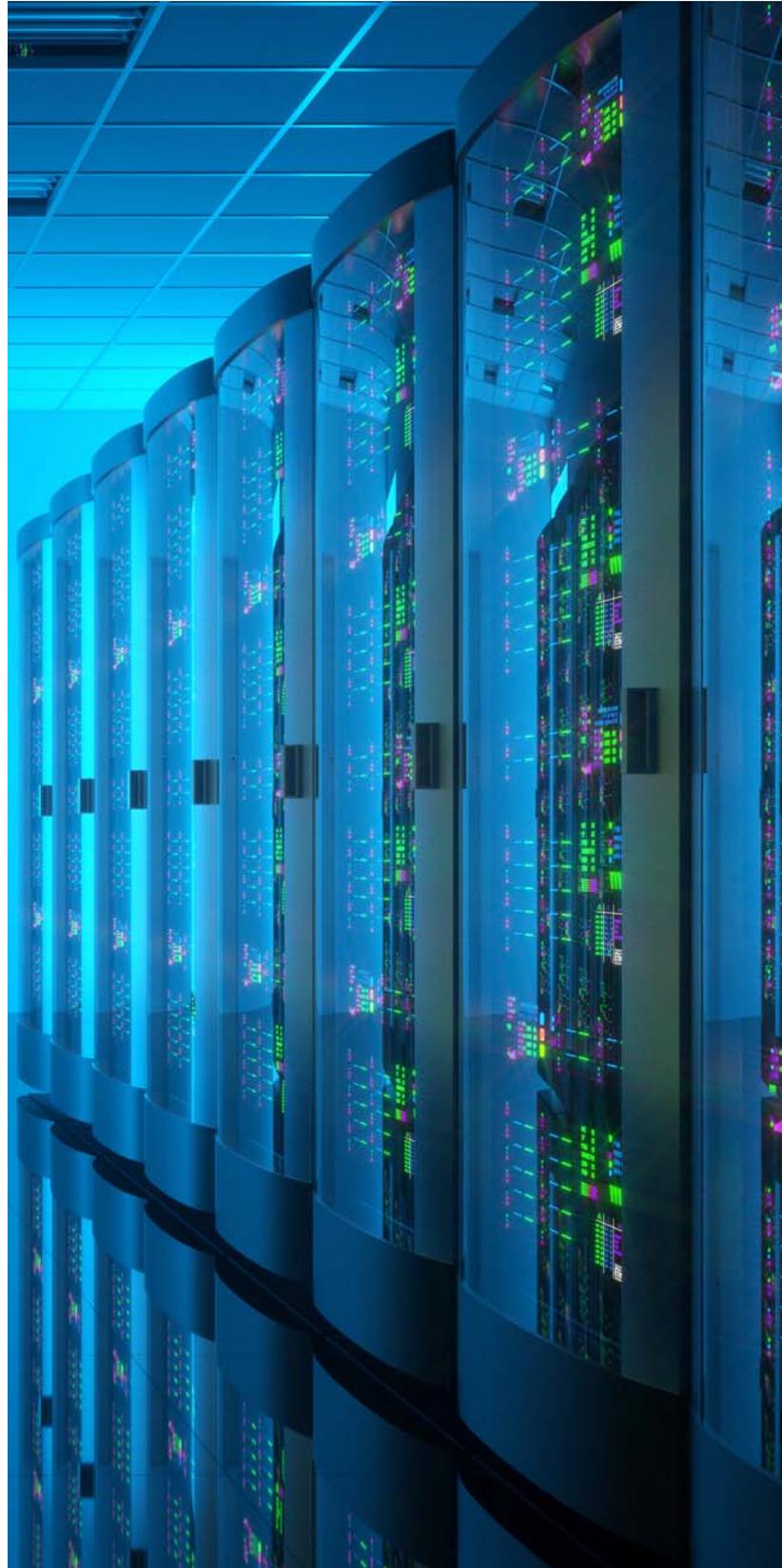
Replacing Core Systems Is Not the Answer to Digital Distribution

A recent survey by BCG Perspectives revealed that the core systems of most insurers are over a decade old and primed with defects that keep carriers from meeting customer experience standards.ⁱ While the pressure is on to rebuild current systems, the fact remains that reaping the rewards of costly overhauls can take years and in that time, technology and customer expectations continue to change. Given the lengthy timeframes associated with core systems rebuilds and replacements, insurers could easily find themselves still behind emerging competition after committing the extensive funds and resources required to bring their systems up to today's standards.

In addition, rushing into a complete rebuild or even an extensive overhaul of current systems in the hopes of achieving digital prominence can result in several risks, including:

- **Disruption:** Given the wealth of data contained in legacy systems, making major changes threatens to disrupt business continuity.
- **Errors:** New untested systems pose a high risk for errors as well as a 40-70% failure rate.ⁱⁱ
- **Productivity loss:** Productivity is reduced as internal users escalate up the learning curve. Additionally, in the case of direct-to-consumer distribution, if customers fail to embrace the new technology, insurers risk losing business.

To avoid the problems associated with ripping out and replacing core systems, insurers need adequate time to plan and prepare for enhancements while still meeting customer demands for digital options.



Digital Now Without the Wait

Adopting a third-party platform can rocket insurers into the digital-age while giving them time to plan for core system enhancements, upgrades or replacements, but only when it is capable of supporting future legacy overhauls and new system implementations. To achieve this flexibility, platforms must first be able to address the critical factors driving the need for change in today's market:

- **Improving the customer experience:** In order to provide the experience customers are seeking, digital distribution platforms need to integrate multiple digital channels with traditional agency and call center options, enabling customers to perform the bulk of their interactions through the channel of their choice. Systems that easily bolt onto existing infrastructure get insurers up and running fast, but they must also unify core data and simplify the overall process in order to return the results both customers and insurers are seeking. Currently, only 36% of insurers use a central repository of customer information.ⁱⁱⁱ

A single console with prefill capabilities allows customers and internal agents to quickly enter information and receive quotes on multiple lines without wasting time on data reentry into multiple platforms. Simultaneously, the unified database centralizes customer information, making it instantly available across current and future core systems and positioning insurers to quickly identify gaps in consumer coverage.

- **Meeting the need for immediacy:** Digitally adept consumers already comprise 20% of the insurance market.^{iv} These are the individuals who want to make the majority of their transactions online. In fact, when it comes to purchasing, 65% of this group would switch from their current carrier to one that offered fully online buying.^v In other

surveys, nearly 80% of all consumers express a desire for the rapid quoting, binding and issuance that comes through digital channels.^{vi}

To meet this imperative, digital distribution platforms need to efficiently gather a minimum of information from the consumer, supporting rapid quoting by auto filling from third-party sources where applicable. But producing a quote in record time is only half the battle. If customers must wait for a call back to purchase coverage, insurers stand to lose up to 79% of business from those consumers who want to purchase coverage online.^{vii} Platforms that can't auto-underwrite a policy at the click of a mouse place insurers behind the line of customer expectations and will not be able to support the future advancements of insurers' core systems.

- **Personalizing the insurance experience:** The customer experience in any industry is becoming a personal business. Companies have become adept at collecting reams of consumer data that they use to recommend products, improve the user experience and even create custom-tailored offerings. For insurers, producing new products can be a risky business given the highly regulated environment and requires a significant undertaking considering the effort and cost associated with market research, risk determination and new product development.

The right digital distribution platform enables insurers to customize coverage for each and every customer based on their personal needs by offering a universal market network. Here, carriers bundle products they don't underwrite with their own, meeting more of the needs of their customers now and in the future, while gaining 15 to 20% of the policy premium without taking on additional risk.

Digital Distribution Is in Reach Now



The world is changing and insurers are running out of time to catch up to the new digital reality. While carriers need core system overhauls, waiting on such initiatives to reach the digital prominence well recognized in other industries will set them farther behind customer expectations at a time when new entrants are emerging, determined to show up incumbent players with faster, more convenient and customer-centric offerings. In order to hold ground and ultimately surge ahead, current insurance players need to ramp up to digital distribution now.

While many traditional insurers have established portals that allow consumers to request a quote via the web, they fall short of meeting customer expectations for online engagement. A full-service digital distribution platform brings carriers up to speed in little time, appending to current systems as well as new systems and uniting disparate data behind a single console. Consumers receive the ability to directly access information and rapidly quote and purchase coverage, while agents gain complete visibility

and the capacity to interact with customers across multiple channels. Best of all, they realize the ability to personalize coverage for each customer, bundling products from a vast market network with those they manufacture to meet more of the needs of each and every customer. And the carrier benefits too, selling 1.4 more of their own products for every bundled solution sold and realizing substantial premium growth of 24% in five years, all with no additional risk.

It's money in the bank without the wait of ripping out and replacing core systems, and it's future ready, continuously evolving to meet the needs of legacy system upgrades. Learn more about how the right digital distribution platform can help you stay competitive in a changing market. Download our thought leadership piece, [How Insuretech Will Revolutionize the P&C Insurance Industry: Partnering Into the Future](#).

Contact BOLT for more information:
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i Ketterer, Hannah, Jonathan Koopmans, and Rolf Maurers. "Building a Digital Technology Foundation in Insurance." www.bcgperspectives.com. Boston Consulting Group, 29 Aug. 2016. Web. 16 Sept. 2016.

ii Aversa, Paul. "Why Your Existing IT Assets Hold the Key to Modernization." *Insurance & Technology Journal*. Information Week, 18 Dec. 2014. Web.

iii Ketterer, Hannah, Jonathan Koopmans, and Rolf Maurers. "Building a Digital Technology Foundation in Insurance." [\[www.bcgperspectives.com\]\(http://www.bcgperspectives.com\). Boston Consulting Group, 29 Aug. 2016. Web. 16 Sept. 2016.](http://www.bcgperspec-</p></div><div data-bbox=)

iv How Digital Switchers Are Disrupting US Auto Insurers. Boston Consulting Group, 16 July 2016. Infographic.

v Ibid.

vi Global Digital Insurance Benchmarking Report 2015. Bain and Company, 2015. <http://www.bain.com/Images/GLOBAL-DIGITAL-INSURANCE-2015.pdf>

vii Ibid.