



Implementations and Integrations

What can the retail industry tell us about the insurance industry?

It used to be that department stores were the leading model for serving the retail customer base. The general store model would provide a little bit of everything for all who'd walk in. They offered a centralized location for suppliers to ship goods to, lowering overhead costs and enabling them to maximize on a broad base of revenue opportunities – economies of scale at its best. Yet, as brands established themselves and technology enabled better logistical channels, this model began to fall apart. Department stores began to bleed business to smaller, brand focused stores that offered a refined selection of specific goods. As technology continued to proliferate across our industries, these stores were forced to think about e-commerce and the digital experience of their customer base. It became less about having everything for everyone and more about executing upon the core competencies of their brand.

For insurers, the same holds true. Over the last two decades, the insurance landscape has undergone monumental shifts. Technology has permanently altered the business model for operating an insurance program, forcing executives to narrow their focus on operational strategy and drill deeper on how they deliver value to their customers.



As a business professor of mine used to say, “Do what you do best and outsource the rest.” Insurance companies that are experiencing the weight of digital transformation can learn something from this mantra. By understanding what your core competencies are as a business – providing world class service to your members, offering competitive rates to attract new customers, or maximizing your contributions by streamlining process to reduce loss ratios – you can focus your energy and partner with vendors that deliver complimentary services to facilitate additional objectives of your organization. The businesses that have followed this mantra have led the industry shift from trying to build their own core platform solutions, to leveraging SaaS (Software-as-a-Service) vendors that continuously manage a suite of products for insurers to operate their business from.

For any insurer, having a fully integrated policy and claims solution is a must-have. Vendors in the core platform software industry have rallied around this idea, releasing solutions that provide a seamless transference of data across their suite of solutions. There is immense value in having a comprehensive solution that offers the functionality to operate your insurance programs end-to-end. It helps solve the complexities of industry reporting and provides internal analysts a single source of program data that can be leveraged for dashboarding and predictive analytics.

Just as insurers are turning away from homegrown solutions and embracing SaaS vendors for their core operational platform, core vendors have realized they can’t (and shouldn’t) provide all the ancillary functionality that is required to effectively operate an insurance program. Instead, they are setting up integration partnerships from 3rd party vendors that have cracked the code on those nuanced areas of the business – “do what you do best and outsource the rest”. This enables core system vendors to focus on their own core competencies and leverage the expertise of other technologists that are dedicated to delivering value in these ancillary areas of the business.

By understanding this trend and the progression of insurance technology, insurance leaders will be able to future proof their businesses by making strategic investments into critical IT infrastructure. Throughout this article, we will help unpack the value of integrations and why insurance companies should embrace a multi-threaded approach to their technology stack.



The Value of Vendor Partners

The velocity of technological development has increased exponentially over the last two decades. For the insurance industry in particular, this acceleration has created a competitive rift between the early adopters of true SaaS technologies and businesses that held onto homegrown or on-premise solutions. Early adopters have reaped the rewards of an open software architecture that enables their business to have the flexibility to tie in with ancillary solution providers that bolster their strategic initiatives for growth and program efficiency. We see this broken down into three key value propositions:

1. **Their Business is Your Business** – The sole purpose of these organizations is to deliver value back to your business. Their portfolio of partners are other insurance programs that are looking to solve similar challenges – *a rising tide raises all ships*. Vendor partners are incentivized to create innovative solutions due to the competitive nature of their industry. As an insurer, this means you can outsource these responsibilities and focus on your core operations.
2. **Excellence and Expertise** – The insurance landscape is forever changing as new rules, regulations, and considerations are constantly rolled out. As an insurer, a core pillar of your business is compliance and adherence to these changes. A vendor partner has the expertise to help you navigate and implement these new rules across the organization. Every vendor should be an expert in their respective field and will be able to provide consultative feedback that helps deliver additional value to your customers.
3. **New Services are Emerging** – A basic tenet of innovation is that innovation begets innovation. By shifting your technology strategy to include multiple vendor partners to help streamline the operations of your teams, you reap the benefits of their future innovation. Instead of having to curate your own strategy and allocate the necessary resources to do so, your program will be able to rapidly roll out new processes and incorporate these new services.



What are Common Vendor Opportunities for Insurance Programs

When you break down the insurance process, there are three core pillars of operation: **Policy Administration, Billings / Accounting, and Claims Management**. For programs with a core solution, each of these pillars of operation should be bound together in a single solution. Enabled by your core solution vendor, your internal teams can communicate and collaborate across the business, leading to the successful execution of an insurance program. And although this is a huge leap towards digitally transforming the business, it opens the floodgates to future technological opportunities.

By aggregating an insurance program's data into a single source of truth, industry leading organizations uncover new and innovative ways to leverage this repository to ***drive premium, reduce their combined ratios, and provide greater services to their members***. Below are a few examples of the ways that leaders in the industry are using technology integration partners to double down on their organizational goals:

Predictive Analytics with Artificial Intelligence – There are several solutions that have taken hold over the last 5 years, that hang their hat on their ability to score and assess future risk, based upon emerging trends within policy data. Using artificial intelligence (AI) and machine learning (ML), these vendors provide real time risk scoring based upon the data collected by an underwriter. This sets up underwriters to judge the policies that they are putting together and account for all risk considerations, prior to bind and, in turn, can save insurance companies significant amounts of money, by helping ensure they are not over leveraging themselves on each line of business.

Data Transference and Industry Reporting – A massive lift for insurance companies is the regulatory reporting requirements to various institutions like the state and rating bureaus. This reporting can be a cumbersome process for insurers managing policy and claims – especially if they offer multiple lines of coverage across multiple states. Vendors have come along with solutions that streamline the reporting process and displace the burden of compiling these reports from your internal teams.

Claims Management & Payments – Effective management of claims is critical to the success of an insurance company. For this reason, there are countless vendors that offer solutions to help adjusters execute on their day-to-day. One area of emphasis is assessment, repricing, and review process for payments. For instance, with workers compensation claims, there are vendors that provide medical bill review services. These services are directly integrated into core solutions and enable adjusters to have up-to-date payment information about each of their claims, with a full explanation of benefits logged within the system. This helps them avoid the manual entry of this data so they can spend more time reviewing the details of each claim.



The Role of Your Core System Vendor

Like the financial services industry, the insurance industry is lagging behind the curve when it comes to the “modernization” of their technological platforms. This primarily rings true with core system vendors that have large customer bases on legacy platforms that manage a sizable portion of the day-to-day operations. The cost and risk associated with updating these solutions is significant for both the vendor and the customer. For the last few decades, core system vendors have leveraged older, on-premise solutions as their foundation. With the emergence of “the cloud,” many simply migrated what is still an on-premise solution to a cloud hosted environment, labelling it as “software-as-a-service” and selling it as a subscription package. Few have led with a cloud-native solution, that is purpose built for the 21st century.

Why this matters is that many of the current solutions on the market are not built for today’s technology landscape. In the times of multi-tenant, micro-serviced, open-architecture platforms that have easy-to-use API’s and an ETL for data import and export, these older solutions create a significant lift for vendor partners to integrate 3rd party solutions. Even worse, once these integrations have been established, they become high-risk branches of code for future product releases. Without the necessary backend architecture, your IT teams will be forced to manage updates and ensure standard releases don’t bring down critical processes across the business. Which is why it is crucial for insurance companies to understand their core system vendor’s technological abilities to integrate with other vendors.

The next time you evaluate core platforms for your business, ask how your vendor manages integrations, whether they have an open set of APIs, and what existing integration points they have for other customers. It is important to understand the foundational structure of your next vendor since your core system is the bed rock of your entire insurance operations.



Why This Matters to Your Business

The goal of any business is to out-compete their competitors, either through growth or by sustaining the corner of the market they've captured. It's not enough to execute upon a process; there needs to be an advantage that differentiates their organization and enables their teams to capitalize on their target customer base. Regulation has forced commercial insurance companies to get creative when differentiating themselves in the marketplace, shifting their focus from the rates they offer to ancillary services that complement the policies they write. Without technology to facilitate these processes, teams are forced to produce manual work-arounds, which reduces their effectiveness and can cost the business in the long run. The opportunity cost of manual processes can be high.

For smaller, regional insurers, these considerations are even more important as the markets they serve are hyper competitive. Historically, larger programs have been able to invest and experiment with these technologies and, consequently, they have been able to innovate their process and refine their strategy. This enables them to chip away at smaller, more regionalized insurers and capitalize on their customer base over time. Below are three reasons why these considerations are so important to the operations of an insurance company:

1. **More Vendors = More Flexibility** – Flexibility is a critical component to an organization's ability to remain competitive. By adding additional vendors to a technology stack, insurers can avoid the pitfalls of being single threaded in a technology solution. This forces each vendor to remain agnostic about how they integrate into your business and mitigates the risk by introducing multiple points of failure. Although a core solution will remain at the center of an insurance company's IT stack, it won't need to accomplish everything.
2. **Spending Money to Make Money** – This adage still rings true. Contracts with 3rd party vendors come with a price tag and an evaluation is critical to understanding the total value they bring to the business. The hardest part of these decisions is articulating the genuine cost of doing nothing. Although there is a certainty in the status quo, we can't blind ourselves to the potential upside of doing things a little differently. Vendor partners exist for the sole purpose of delivering additional value and can help unlock potential areas of growth within the business.
3. **Elevate Your Expertise** – Continuing off the idea of "spending money to make money," the purpose of nearly every integration is to streamline manual processes. Without them, teams are forced to operate at the surface level – emphasizing the "what" over the "why." Integrations reverse this reality. By removing your teams from the tactical execution of these functions, they can instead focus on the strategic nature of these decisions. *Take medical bill review (MBR) as an example:*



Tactical Execution: Collection, assignment, and entry of medical bill repricing for each claimant. Manual addition of each detailed line-item to the claim file and additional manual execution of payments for claimants based upon the repriced bill. Adjusters are continuously entering data into the system and their capacity is unscalable.

Strategic Execution: Direct integration with an MBR vendor enables all the data entry to be managed by a data feed. All of the critical data is attached to the claim file, with an electronic version of the full bill attached to the transaction line. Adjusters are now enabled to review each payment with all of the critical data at their fingertips, and use the data in a dashboard view to better understand macro trends across all claims.

Technologists realize the opportunity that comes with a fresh implementation. For insurers, implementing a new core system enables them to unravel years, sometimes decades, of process and reimagine how they're operating their business. The best core systems on the market will integrate seamlessly with multiple vendors, and enable customers to focus on what they do best...and outsource the rest.