Achieving Sustainable Speed in Life & Annuities Policy Administration

And why it's critical for long-term carrier success

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Introduction

Time to market consistently ranks as a top 10 focus area for insurance carriers. Carriers constantly look to introduce new products to the market more quickly and efficiently in order to remain competitive, increase customer retention, and keep IT costs as low as possible. Expect time to market to continue to be a top focus as the Life & Annuities market continues to rapidly evolve.

Due to the plethora of options available to consumers, who look for personalized products at affordable costs, it is particularly important in life insurance to be able quickly respond to consumer needs. Agile, responsive carriers who can introduce products to the market faster gain competitive advantage over carriers who are slower to respond to market trends.

Many life carriers have invested in IT modernization initiatives to help streamline product development processes and undergo digital transformation. Insurtech technologies are more prevalent than ever, and carriers are expanding their partner ecosystems to take advantage of the innovation and accelerate time to market.

A Holistic Approach: Sustainable Speed

True speed to market is not simply a matter of expedience, but a comprehensive approach that incorporates a variety of critical factors, such as product development, distribution and customer experience. This approach, known as sustainable speed, takes into account all of these elements to enable carriers to implement platform changes quickly and efficiently, from launching new products to deploying system upgrades to making regulatory updates to enhancing user experiences. At the core of sustainable speed is the customer. In response, Life & Annuities PAS providers are increasingly embracing strategies centered around sustainable speed to enhance their customers' experiences, streamline operations, and reduce expenses.

Time to Market: What is it *really*?

Time to market continues to be a top focus area for life insurance carriers in 2023. As most carriers have modernized their operations to become more customer centric and digitally enabled, technologies are available today for carriers to continue to improve their ability to rapidly launch new products, respond to market trends, and meet customer demands.

The term *time to market* typically refers to the amount of time it takes to put a new product in market, including development and testing time, obtaining required regulatory approvals, and preparation of marketing and distribution strategies.

Reducing time to market enables carriers to capitalize on new market opportunities, which is critical to remaining competitive. Not only do new offerings generate additional revenue, but launching them quicker reduces development costs, so improvements directly impact the carrier's bottom line, improving profitability.

Multiple strategies are used by carriers in their efforts to make time-to-market improvements, as well as by software providers that develop the core processing systems. Those with strategies that take a holistic approach have a significant advantage over their competitors. Successful carriers adopt agile methodologies, leverage technology, collaborate with partners, use lean processes, and simplify product design. All of these are necessary to achieve *sustainable speed*.

> Non-holistic implementation approaches can lead to delayed processing, inaccurate data, and higher chances of errors. These issues can result in dissatisfied customers, loss of sales, increased costs, and compliance risks.

Speed to Market Must Be Sustainable

In most cases, time-to-market efforts are focused on IT Day 1 with the goal of rolling out only those features needed to directly support product sales. Recent trends have seen some new PAS implementations focused not only on IT Day 1, but also what is known in the industry as *minimal viable product* (MVP), which involves skipping automation steps in favor of going to market early. Using manual processes may be a viable option in testing and training environments where incoming business can be tightly controlled; however, implementing such an approach in high-volume sales areas can have severe and far-reaching consequences. Carriers may find themselves unable to keep up with the volume of business, leading to a wide range of issues such as delayed processing times, inaccurate data entry, and higher chances of errors or omissions. These issues can result in dissatisfied customers, loss of sales, increased costs, and potential compliance risks. As such, it

is essential to leverage automation to enable carriers to manage high volumes of business more efficiently, reduce errors, and enhance customer satisfaction. By embracing these modern technologies, carriers can better position themselves for success in today's rapidly evolving insurance landscape.

With the primary focus on IT Day 1 or MVP, carriers roll out just enough of the product to go into production. Interfaces are not complete, downstream processes have not been fully automated, and other shortcuts are taken to get to market quickly, resulting in a messy build up of technical debt.

While this approach can get a product to market rapidly, it results in expensive cleanup work, tapping into resources who as a result cannot focus on new product development. Continuously deferring automation and IT Day 2 can leave large volumes of technical debt that must be addressed at higher cost and more complexity, ultimately slowing down new product introductions.

The Testing Challenge

The most challenging and time-consuming part of an IT product build is ensuring all product features are fully tested. Most life insurance platforms do a poor job of supporting testing and transparency.

Many carriers have no choice but to implement a high-risk approach to testing that does not fully cover all features, nor does it support regression well. Regression testing is a critical step to ensure changes made to the software do not adversely impact any existing features or functions.

The lack of sufficient testing most often results in many production issues, some which don't show up for months or even years. **The cost of fixing production issues is 10 to 100 times that of finding the issues during the initial product rollout.**

Sustainable Speed

The good news is, carriers can have fast time to market in a sustainable way, a way that does not create buildup of technical debt or slow down their ability to get products in market quickly. To achieve this, they must look at time to market holistically.

A holistic approach plans for all stages of product development and includes optimization for the entire process to improve speed and efficiency.

Key elements of a holistic strategy include:

1. **Cross-functional teams.** Ensure all aspects of the product are considered by establishing stakeholders from different areas of expertise, such as designers, developers, business analysts and marketers.

2. **Agile methodology.** An agile approach focuses on flexibility and iterative development and testing cycles, helping teams quickly adapt to market changes and customer needs.

3. **Continuous process improvement.** To drive operational excellence, carriers must adopt a culture of continuous process improvement, employing lean development principles to eliminate inefficiencies and waste.

Continuously test and iterate to fine tune products in order to better align with customer needs and respond quickly to changing market conditions..

4. **Commitment to automation.** Automation reduces the time needed to complete tasks such as testing and deployment and frees up resources to focus on other work.

5. **Perpetual innovation.** Carriers must be able to leverage their PAS partners' ongoing innovation and ever-expanding insurtech ecosystems to harness the latest technological advancements and enable implementation of carriers' own innovation initiatives.

A strategy that considers all of these elements in totality positions the insurance carrier to achieve sustainable speed.

An IT platform built for sustainable speed takes into account the following:

• Stakeholder process management

• Transparency and sharing of specifications

• Ability to configure quickly, handling multiple distribution needs in one product release

• Ability to automate and certify testing, testing every feature to ensure compliance without slowing down product implementation

Does your time-to-market strategy position you for sustainable speed?

Consider these questions when setting your time-to-market strategy:

1. Are we looking at the whole process, not falling prey to aiming only for the minimum in order to get it to market sooner?

2. How can we go to market just as fast with the tenth product as with the first?

3. How do we quickly take advantage of the products and features continuously rolled out by our PAS vendor?

4. How can we automate and certify testing of products, states and distribution partners?

5. How quickly can we test product changes and get them in market?

6. How can we make sure new product introductions don't negatively impact other product features?

Obstacles to Achieving Sustainable Speed

Life insurance carriers face several obstacles to achieving sustainable speed. These obstacles must be overcome to position carriers for true speed to market. Common obstacles include:

1. **Complex product development processes.** Life insurance product development is typically a complex process that can involve multiple stakeholders and regulatory requirements. Streamlining this process is necessary to reduce time to market.

2. **Legacy technology.** It is difficult to quickly develop and launch products using the outdated, inflexible legacy systems on which many carriers still rely, System upgrades are also time-consuming and expensive, further slowing time to market. Carriers who have not undergone platform modernization are at a significant disadvantage.

3. **MVP Implementation Approach.** While an MVP implementation approach may help companies achieve faster time to market initially, it hinders sustainable speed by skipping automation steps and relying on manual processes, leading to delays, lost sales, errors and compliance risks. Carriers using this approach are essentially creating their next legacy systems.

4. **Inadequate data and analytics.** Many carriers lack access to adequate data and analytics tools or have failed to maximize the value of the data available to them, causing them to struggle to meet market demand and customer needs. Accurate and timely data is imperative for making informed decisions that enable rapid time to market.

5. **Limited resources.** Developing and launching new life insurance products requires a significant investment of time, money, and resources. Limited resources can make it challenging for carriers to achieve sustainable speed to market.

6. **Lack of collaboration.** Siloed operations among departments result in communication breakdowns, further delaying the product development process. An interdepartmental team of stakeholders collaborate and communicate transparently is critical to achieving sustainable speed.

For a carrier to achieve true speed to market to reach maximum competitiveness and revenue potential, these obstacles must be overcome. A holistic approach is required, and the carrier's strategy must leverage technology, people and processes for efficiency improvements that pave the way to sustainable speed.

Digital challenges slow time to market. 82% of insurance CEOs admit they:

- ❖ "Lack insight into the future of digital and operational scenarios"
- ❖ "Face difficulty in making fast technology decisions"
- ❖ "Can't move from pilots to scaled deployments fast enough"

KPMG, *The COVID-19 Catalyst: Insurers Race to Digitize*

Why Sustainable Speed is Critical for Success

Time-to-market improvement continues to be a top priority for life insurance carriers. Combine this focus with the availability of technologies to improve time to market, and it's easy to see that sustainable speed is quickly becoming a standard in the life insurance industry. The reasons why are clear:

✓ **Remain competitive.** With an industry as competitive as life insurance, carriers must be able to quickly adapt to market and regulatory changes and customer needs or risk losing market share to more agile competitors.

✓ **Customers demand it.** Customers won't wait for companies to respond to their changing needs and preferences. If the incumbent carrier cannot respond to needs in a timely manner, the customer will go to a carrier that can. And they are out there.

✓ **Generate revenue.** The ability to quickly launch products means taking advantage of new market opportunities, thus improving the financial performance of the carrier.

✓ **Stay compliant.** The faster life carriers can bring new products to market, the more quickly they can ensure compliance with regulatory requirements. Sustainable speed enabled platforms can automate and validate testing feature by feature. This is important to avoid costly penalties in addition to the amount of effort it saves a company's resources, freeing them up to focus on more strategic initiatives.

✓ **Lower ownership costs.** Cloud-native platforms that automate development operations, testing and delivery, regulatory updates, integrations, and platform upgrades cost dramatically less than bulky legacy systems. Further, platforms that certify test results ensure carriers will not experience production issues, which are 10 to 100 times more costly to resolve than when gotten right in the first place. Totality is mandatory for long-term success, as the financial strain of maintaining outdated technologies that lack the required automation, paired with missed market opportunities by not staying ahead of competitors, will become too large for companies to justify.

> "In the new world, it is not the big fish that will eat the small fish, it's the fast fish which eats the slow fish."
>
> Klaus Schwab, World Economic Forum

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The Product Development Process:
Sustainable Speed Precepts

Current State

New and enhanced life and annuity products are the fuel for growth in insurance companies. The Life & Annuities market is faced with changing market demands, customer-centric delivery models, and a growing demand for tailored distribution channel products.

The product development process for life carriers is manual, inconsistent, contains significant handoffs, and leaves little opportunity to ideate in a rigorous or disciplined way. Normally, many teams are involved in the process, including actuaries, pricing, legal, regulatory, compliance, service, and IT. As many as 10 to 20 different teams are often engaged.

While insurance companies have tuned their product development processes, time to market *still* takes too long and rolling out new products costs too much. With the complexity and the number of people involved the process, the process can span as much as a year or more before the product is implemented.

In 2017, the Society of Actuaries (SOA) published a report, *Understanding the Product Development Process of Individual Life and Annuity Companies*, based on an extensive LIMRA/RGA study involving the survey of 54 L&A carriers. The study discusses the steps in a typical life insurance product development process and illustrates the number of survey respondents that engaged key areas of the company in the new product development process. **For both life products and annuities, the study found that IT was involved in only 30% of the product development process.** While the study is based on older, pre-COVID data, engagement in product development today looks remarkably similar for most carriers.

The study indicates that collaboration within new product launches is hampered by having functional teams that create their own silos of activity. As a result, handoffs can be difficult to track, and there is no transparency across the entire project.

On average, 30% of the team developing and implementing products are related to Information Technology.

What are you doing with the other 70%?

Carriers must consider the totality of the product development process to achieve sustainable speed. Currently the primary focus is on how to accelerate IT than any other area. However, about 70% of the product development effort is outside of the traditional IT build.

Future State: Totality

One could surmise from the SOA study that true speed to market is only a myth, or at least that the plight to achieve it is high-risk and expensive. Not only is that incorrect on both counts, it is actually much more costly *not* to achieve it. Because the technology is available now, proven methodologies have been deployed, and the competition has already started. Insurance carriers with holistic approaches to product development will come out on top. Below are basic precepts that must be in place in order achieve sustainable speed.

1   Collaboration, Visibility, Transparency

Collaboration within a new product launch is essential to minimize time between ideation and launch. Functional teams must collaborate and maintain transparency across the entire project. Carriers can enhance the process by leveraging tools that act as command centers for product launches. Such tools make pending activities stand out to ensure project momentum, display dashboard views for rapid setup of product development phases, teams, and team members, and provide a comprehensive view of the project. Interdepartmental handoffs and decisions are tracked and easily accessible for review.

2   Gold Copy Product Specifications

Product specifications are frequently revised throughout the product development process. Working from the latest specification becomes challenging with multiple versions siloed throughout the typical product development ecosystem.

Carriers need tools in place to allow for capturing and versioning specifications so that a gold copy is always available. The gold copy concept also benefits insurance companies considering conversions, regulator actions, or product remediations.

3   Flexible Product Configuration

A flexible, robust product plan builder is essential for sustainable speed. Time to market should be just as fast, if not faster, for the tenth product as it is for the first product.

Product innovation must be enabled by configurable rules, and product design should be readily enhanced by the ability to link, clone, copy, use bracketing features, and make configuration changes without developers. Product configuration puts the power to rapidly develop innovative products in the hands of the product designer.

4 Validation & Certification

Sustainable speed to market requires automated and controlled certification of product test results to enable carriers to validate and certify their current core systems. Automated testing enables the creation of use cases, captures expected results, and provides visual pass/fail information for each test case. Tools that facilitate compares, traces, and other drill-down steps that dramatically improve determining the root cause of a potential issue quickly. Test cases are retained and can easily be rerun as part of a retest or remediation.

The Importance of Carrier-Vendor Alignment

It is critical for insurance carriers and software vendors to be aligned in order to achieve true speed to market. Carriers must have the ability to quickly introduce new products and services to meet the changing customer needs. This requires the use of software solutions that can help automate and streamline the product development process. If the insurance carrier and software provider are not aligned, delays and errors occur in the product development process, which can result in reduced customer satisfaction and lost revenue.

In addition, insurance carriers must be able to quickly respond to market changes, such as regulatory changes, emerging trends, and new Competitors in the marketplace, and emerging trends. This requires a flexible and agile software platform that can quickly adapt to changing market conditions.

By working closely together, insurance carriers and software providers can ensure that the software solutions are tailored to the carrier's specific needs and requirements, which can help reduce development time and costs, while also improving product quality and customer satisfaction. This alignment can ultimately lead to true speed to market, which is critical in the highly competitive insurance industry.

When seeking a new vendor or life insurance processing system, look for software providers who incorporate the below best practices into their SDLC and delivery methodologies:

- **Flexible architecture.** Easy customization and adaptation to new product requirements should be inherent to the software design to enable easy modification and extension to meet the needs of different insurance products.

- **Leverage automation.** Automation streamlines and speeds up the product development process. Automation can be used for market data analysis, customer need identification, and product recommendation generation, which significantly reduces time required to develop new products.

- **Collaborate.** The software vendor should work closely with the insurance carrier in a collaborative development process to help identify potential issues and address them early on before they become roadblocks.

- **Automate Testing.** Thorough testing is critical to ensure the software works as expected and that it meets the requirements of the insurance product. Testing should be conducted for every new insurance product to ensure that the product is as fast to roll out as the first product. Vendor systems that automate testing and validate test results save carriers millions in the long run, as issues are identified and corrected prior to launching the product. Once the product is live, the cost to correct issues increases by 10 to 100 percent.

Conclusion

Sustainable speed to market is critical to remain competitive in the ever-evolving life insurance landscape. To achieve sustainable speed, carriers must prioritize agile product development, continuous innovation, and strong collaboration with software vendors.

By leveraging technology, automation, and data analytics, carriers can streamline product development processes, speed up time to market, and improve customer experience.

Additionally, a focus on sustainability ensures that insurance products are designed with the long-term needs of customers and the market in mind.

Ultimately, the key to sustainable speed to market in life insurance is a commitment to innovation, collaboration, and a customer-centric approach.

Carriers should ensure their policy administration platforms contain these capabilities to enable sustainable speed.

- ✓ Provide flexibility and modularity
- ✓ Enable rollout of innovative products faster
- ✓ Reduce costs & Improve reuse
- ✓ Enable collaboration
- ✓ Project visibility through dashboards
- ✓ Ability to clone & reuse core products
- ✓ Version control of product specs to maintain a Gold Copy
- ✓ Extensive ability to model & test all requirements with full traceability to third-party platforms
- ✓ Automated setup of downstream systems
- ✓ Easily move product configuration from one environment to another
- ✓ Ability to manage & test conversions

About David Shaw

David Shaw co-founded and serves as the Chief Executive Officer of Penn River, Inc. David has more than 30 years of experience in the insurance and financial services industries, including leading IT for multiple large organizations as Chief Information Officer and running P&L for significant business units within consulting organizations. David has been an early adopter of leading-edge technologies, including modern policy administration systems.

About Penn River

Penn River is a native cloud Life & Annuities software provider, offering Policy Administration and ProductHub as to US L&A insurance carriers. Penn River leadership and key employees have previously contributed to the development of other L&A PAS platforms. ProductHub is an industry-first solution that provides as much as a 30% reduction in time to market, and as much as a 25% reduction in carrier product development costs by streamlining redundancies and connecting information across disparate sources, including e-appllications, product rules, testing and reinsurance. To learn more, visit www.pennriver.com.

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