True Digital Transformation and Beyond

Two Key Strategies to Succeed in Insurance Greenfields
As insurance companies look for new ways to grow revenue, they’re exploring greenfield growth strategies. Yet too many opportunities go unnoticed. Insurers often make the mistake of focusing technology upgrades on the customer-facing front end. True digital transformation—which includes the back end—is critical in order to compete in greenfield operations. Insurers must be equipped with key enablers for effective digital transformation. See how Oracle’s solutions can help you plan your back-end modernization and turn your data into assets.

**CONSUMERS DEMAND RELEVANT PRODUCTS AND TOP-NOTCH EXPERIENCES**

Digital disruptors have set the standards for what we expect when we shop, when we buy, and how we interact with businesses. Consider the many ways the consumer experience has changed in the last decade alone. Netflix lets you watch movies immediately. Amazon provides personalized product recommendations plus side-by-side product comparisons. Uber picks you up on demand and even calculates the cost up front.

Yet the insurance industry lags behind most other industries in customer experience and product innovation. Many insurers still require people to apply for policies on paper or talk to an agent over the phone. People are generally accustomed to waiting three days to get a policy issued or worse, three weeks to receive a claim payment.

Today, insurers are fighting for relevance in new markets with more specific problems to solve. The insurance products themselves define the customer experience as much as buying and owning the policies. Generic insurance plans don’t attract the millennials and Generation Z. They expect insurers to understand their lifestyle, values, and struggles. More importantly, the younger generations expect insurance companies to offer the precise coverage they need.

Consider these relatively new insurance offerings that make life easier for certain market segments:

- Rental insurance for city dwellers with option for vacation-related coverage
- A mobile app that lets you turn coverage on and off for each insured item
- Pet insurance that provides coverage specific to a particular dog breed
- Micro-crop insurance for farmers in developing countries that relies on data analytics rather than claims adjusters to settle claims

Insurtechs are proving that demand for product innovation and omnichannel experiences are high, especially for products tailored to previously underserved markets. The insurance industry is fundamentally changing with new product types like micro-insurance, on-demand, usage-based, and peer-to-peer. As new underwriting approaches and business models emerge, insurance organizations must be equipped to act quickly on greenfield opportunities.

**DIGITAL TRANSFORMATION: THE KEY TO CAPITALIZING ON UNMET NEEDS**

In order to meet new customer expectations and create innovative products, insurers must digitally transform their operations. Digital transformation is about rethinking a company’s value proposition and business model. It demands the entire organization to be willing to change old ways of doing

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**What do consumers expect?**

- relevant products
- 24/7 access
- quick delivery
- clear product information and pricing
- omnichannel service
things. Modernizing the IT environment is fundamental for any enterprise attempting to stand out in the crowded marketplace.

To reap the benefits of a successful digital transformation, insurers need to:

1. Transform the front end and the back end
2. Leverage data

TRANSFORM BOTH THE FRONT END AND THE BACK END

The knee-jerk reaction for many insurers has been to modernize the customer-facing front end. They might build a mobile app or add e-signatures to their online application. And while those improvements are critical parts of the buying experience, they’re not enough to catapult insurers in the greenfield space.

If data on the back end is not digital and is still getting processed on 30-year-old core systems, the customer experience remains poor. A gaping hole remains in the experience, according to the research:

• 20 percent of the problems that lead customers to call their insurer’s customer service are a result of back-office issues
• 60 percent of customer dissatisfaction originates from the back office

In an ideal experience with an insurance company, customers get the right information at the right time and 24/7 access. The only way for insurers to provide seamless omnichannel experiences is by integrating their IT ecosystems: policy administration and calculation engine, billing system, rating system, analytics, customer communications management, and more.

Digital transformation is not just about upgrading IT systems, designing sleek UIs, or automating processes. It’s about using technology to delve deeper and explore new ways of doing things. To do that, insurers must transform their core systems.

LEVERAGE DATA: TRANSFORM DATA INTO AN ASSET

Because greenfield operations require insurers to capture new data about their markets, a big challenge for insurers is adding data fields. Legacy systems typically force users to create workarounds and take multiple steps simply to add new data fields. Mining data to gather business intelligence is also difficult using antiquated systems in complex IT environments. Insurers typically have to store data in disparate systems in multiple formats.

Within digital, the biggest opportunity lies in personalization—an area where insurance lags behind other industries, such as online retail. By collecting data systematically, making it accessible across the organization and applying artificial intelligence, carriers can emulate retailers and create bespoke offerings.

—Bain & Company²

Digital transformation helps insurance organizations eliminate those costly, time-intensive steps. A modern core system not only helps users collect and analyze data more easily—it makes a tremendous impact on the overall business strategy. Data helps decision makers identify opportunities and move swiftly to capitalize on those opportunities. More importantly, the entire enterprise can act quickly.

Insurance organizations must be aggressive in learning about their target markets. Data helps strengthen the insurance organization’s collective radar to discover unmet needs.

To create products that are extremely relevant to their markets, insurers need to delve deep into understanding their customers:

- What kind of risks negatively impact their lives?
- How can existing products be modified to fix those problems?
- How do those customers want to interact with the business?
- Why have existing underwriting approaches and distribution models failed to bring in business from this particular market segment?
- How can we use technology to keep operational costs low for this type of business model?

Insurers need advanced analytics and product configuration tools to create products easily, design new business models, and ultimately claim market share.

Incremental Transformation to Reduce Risk and Maximize Agility through Oracle Insurance Policy Administration

As more insurers examine their digital transformation goals, more companies are beginning to focus on modernizing their core systems. Digital transformations demand a tremendous amount of time, energy, and commitment from an organization. According to BCG, insurance companies typically spend at least two years implementing an integrated core system. Life insurers often take longer than that.¹

The most effective way to approach digital transformation is incrementally with a test and learn approach. Here’s a practical way to transform your core systems with Oracle Insurance Policy Administration.

By starting with greenfield products, your organization significantly reduces risk. You avoid migrating historical data into your new system until your new system has proven itself. This incremental approach also allows you to collect data to analyze potential outcomes on those particular products.

Getting organizational buy-in through first-hand experience can be extremely effective managing major system changes. Give users within the organization—perhaps even those resistant to abandoning legacy systems—the opportunity to work with the new system. Your employees themselves may become the most enthusiastic advocates for your new system.

**ORACLE INSURANCE SOLUTIONS TO FORTIFY YOUR DIGITAL TRANSFORMATION**

Insurers have the power to rapidly configure, manage, and bring new insurance products to market with Oracle’s solution, a highly flexible system that supports the entire lifecycle. Oracle also provides an integrated data environment, so insurers are able to give customers real-time information across multiple channels.

**Digitally Transform Your Back End with Oracle**

Modernize your back end systems incrementally while reducing risk. Some of the leading insurers have successfully migrated their existing book of business into Oracle’s solution step by step, starting with one or two greenfield products.

**Turn Your Data into Assets with Oracle**

- **Oracle Insurance Policy Administration (OIPA).** With a few mouse clicks, capture any kind of data from customers by adding data fields through rules-based configuration. For example, a pet insurer collects data about species and breed; a bus accident policy requires the applicant to give the number of seats in the vehicle; a life insurer collects the applicant’s body mass index.
- **Oracle Insurance Analytics, Reporting and Integration Repository.** Extract data from OIPA and integrate data from other applications such as accounting or billing—all without impacting the OIPA’s production environment.
- **Oracle Insurance Data Foundation (OIDF).** Manage analytical application data from multiple systems. Run data models to gain insights into what insurance products will be most profitable, what process areas need improvement, and more.

On average, insurers that use Oracle Insurance Policy Administration cut their product development timeframe by one-third.

**Highlights of Oracle Insurance Policy Administration**

- Create innovative insurance products through rules-based configuration
- Collect new data types to existing products at any point in the lifecycle
- Bring new products to market rapidly
- Make decisions quickly to capitalize on greenfield opportunities through advanced data analytics
- Integrate with front-end systems, including all data formats, through API layer
- Consolidate life, annuity, and group products on single platform

2018 Aite Group Award for Most Advanced Analytical Capabilities: Oracle Insurance Policy Administration

- supports the claims experience and business processes
- develops and maintains rules engine
- supports predictive modeling for testing changes
SUCCESS THROUGH DIGITAL TRANSFORMATION AND DATA

A true digital transformation sets up the insurance organization for the future. While modernizing the front end may trigger short-term gains, the most sustained improvements to the customer experience happen behind the scenes. To reap the benefits of a successful digital transformation, insurers must modernize the front end and the back end, as well as leverage data. Oracle’s solutions can empower insurance organizations to digitally transform core systems and turn data into strategic assets.