MuleSoft®

A 3-step guide to insurance transformation

Contents

Introduction: The challenge of transformation

The insurance industry is operating in an age of radical disruption. Traditional insurers are no longer safe, with insurtechs challenging incumbents to rethink their business and operating models.

The diversification of product offerings and ever-growing price competitiveness mean that customer expectations are changing faster than ever before.

This mass disruption creates increased pressure on IT to deliver intrinsic business value. Never before has so much emphasis been placed on IT's ability to deliver new offerings and services, new customer touchpoints, and new experiences, while driving greater operational efficiencies and continuing to provide traditional business systems. With all of these growing demands, and delivery capacity remaining seemingly finite, it's often difficult to know where to start.

It might sometimes seem easy to just roll up your sleeves and get started, project by project. However, many insurers end up creating new wireframes or proofs of concept every time to solve particular issues, which isn't sustainable for IT departments, as it requires fresh work every project. The real challenge lies in establishing a scalable way to remove this challenge. This requires an entirely new way of thinking and operating.

At MuleSoft, we work with over 1,400 organizations across the world to help transform their business for the better. We work with three of the top eight global insurers, helping install a new IT operating model that allows central IT functions to focus on

creating reusable assets that empower lines of business to undertake their own IT projects. Doing so increases IT's delivery capacity, making your business faster, more agile, and ready for change.

There are various approaches IT teams seek to deal with the strains placed upon them. Some opt for a rip and replace approach, or radical transformation of existing systems, whereas some continue to seek incremental improvements, project by project. MuleSoft's methodology is centered on a simple three-step approach that utilizes the power of Application Programming Interfaces (APIs). APIs are an immensely powerful method of integration that enable the seamless flow of data between different applications, data, and devices across your entire enterprise. By using APIs, and starting to build what we call an application network, we're able to unlock access to critical customer data, create connected customer experiences, and help insurers establish a more data-driven approach helping providers thrive in the age of disruption.
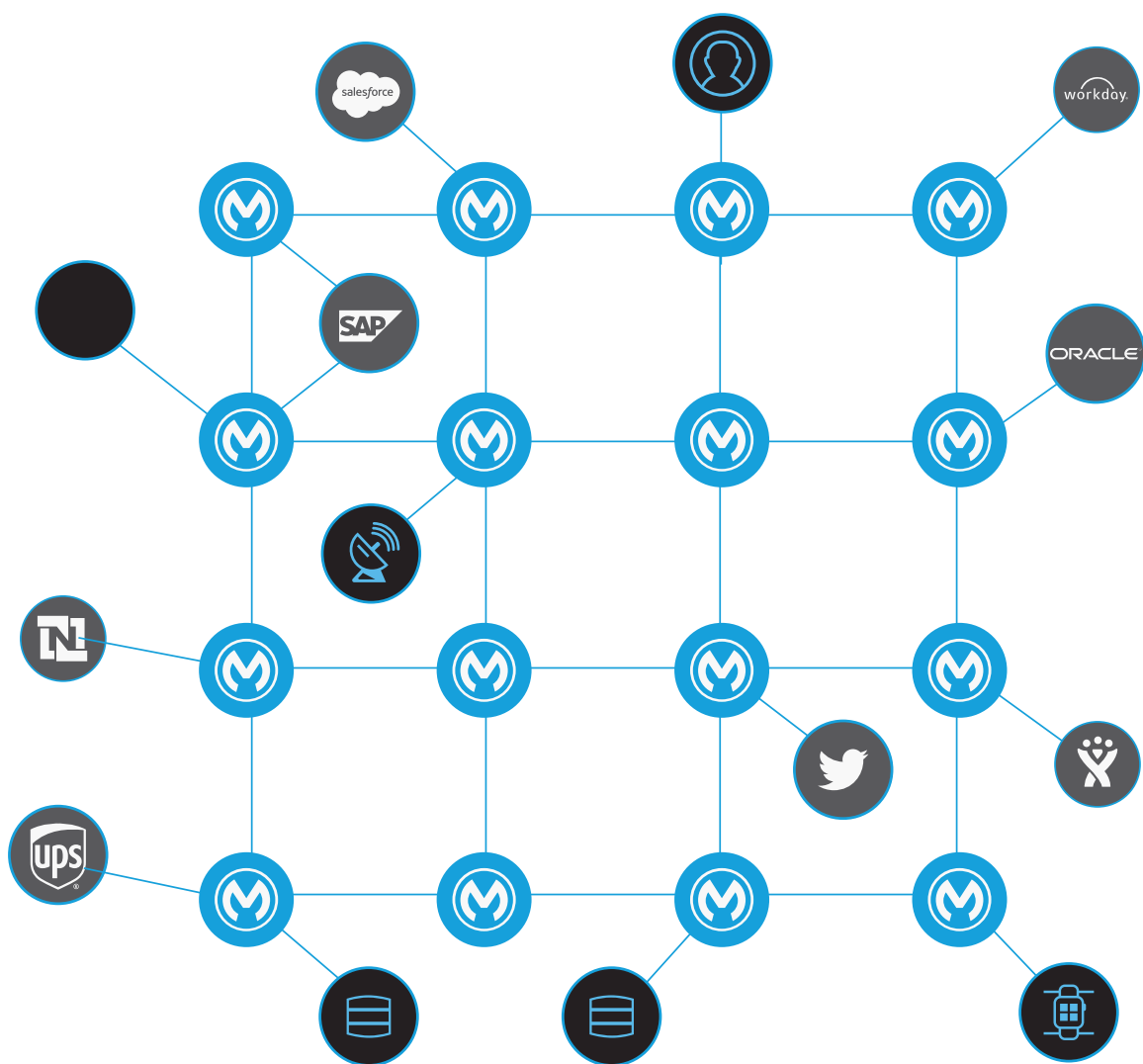

Figure 1: An application network

Overview of the three steps

Step 1: Unlocking data

Often associated with legacy modernization. Legacy systems hold silos of data which are hard to utilize to your advantage, largely due to complex point-to-point connectivity. As your systems portfolio grows, so does your web of connectivity, meaning access to valuable business or customer data becomes increasingly complex. This step is about unlocking data using APIs to build a foundation for the flow of data across your enterprise.

Step 2: Building connected experiences

Now you have unlocked your data, you need to harness it to provide greater visibility of your customers. Creating a single view of the customer and using this to drive strategic decision-making is the key to creating an enhanced customer experience. By orchestrating data to give a single view of the customer, you can improve your service, and ensure that the user experience is consistent across all channels and platforms. This includes, for example, providing updates on a customer's claim across both mobile and desktop.

Step 3: Becoming data-driven

Once you've started delighting the customer via the current service, you can now grow your offering. Using tools such as AI and predictive analytics, you can upsell and cross-sell more effectively, creating proactive rather than reactive insurance. You can offer unparalleled levels of service, and revolutionize your internal business processes.

Step 1: Unlocking data

Almost every established insurer has multiple business systems which are designed to service particular products and lines of business. For example, we've worked with several insurers that had previously built separate systems for quotes, claims, and policies for each of their multiple insurance lines. As insurers embrace new technologies, launch new offerings, and develop new ways to interact with customers, the vast systems landscape grows further. This makes the architecture ever more complex, as duplicated systems, data and architectures are created. Each system represents not just a significant investment, but a true asset holding vast amounts of business and customer data. These islands of data have enormous potential value. Indeed, customer data is becoming richer and more actionable as the industry innovates.

From the customer point of view, insurers — with a few honorable exceptions — appear both disorganized and under-informed.

However, the industry is not being seen as capitalizing on this opportunity. In a recent report, commissioned by MuleSoft, 58 percent of consumers believed insurers provided a disconnected experience currently, and 56 percent would consider changing insurer as a result of this poor experience, rising to 62 percent amongst 18-34-year-olds. From the customer's point of view, insurers — with a few honorable exceptions — appear both disorganized and under-informed. From an insurer's perspective, this disconnect often means they miss out on prime opportunities to cross-sell and up-sell effectively or to intervene at opportune moments in their customers' lives.

<10%
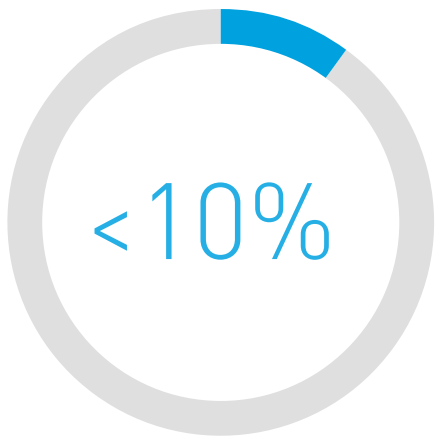
Proportion of businesses who have a
360-degree view of the customer.

>25%
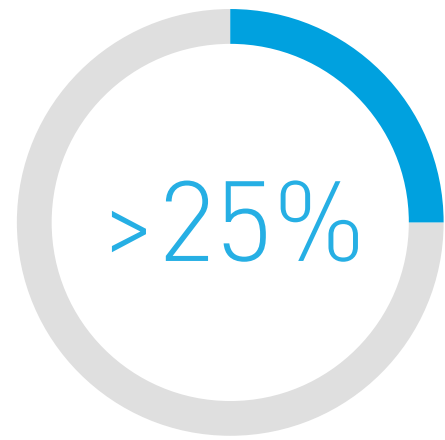
Increase in profitability triggered by a
5% increase in customer retention.

From our experience, the issue is largely exasperated by a connectivity strategy that is no longer fit for purpose. A large majority of established organizations pursue a path of connecting applications, data, and devices through point-to-point code. In fact, for simple integrations involving a small number of applications, point-to-point is entirely sufficient. However, when dealing with the vast systems portfolio of an insurer, point-to-point code creates a complex web of connectivity that is tightly coupled together, difficult to govern, extremely brittle and offers limited opportunity for reuse. Most importantly for insurers however, it is the instigator of data silos across the enterprise.

Creating a 360-degree view of the customer is the key to offering better customer experiences as well as optimizing the value of every customer relationship for business growth. Likewise, achieving straight through processing (STP) also depends on unlocking data. But it's clear that being able to do so requires an integration strategy that is fit for purpose and unlocks access to the islands of customer data insurers hold.

MuleSoft's approach enables businesses to tackle this exact issue, by embracing the power of APIs. APIs enable insurers to expose critical data from complex back-end systems across the entire enterprise. The data is exposed in a way that protects the integrity of the system, enables secure and governed access, and accelerates developer productivity. Doing so not

only allows insurers to increase their ability to quickly adopt new technologies and platforms, but also to make great strides towards creating a single view of the customer. This approach builds the foundation for change—the first step towards enhancing your ability to better utilize customer data, integrate emerging technologies, and adapt to the latest consumer trends.

By partnering with MuleSoft, insurers are not only able to achieve the 360-degree-customer view that's critical in today's market, but also reap the benefits of adopting the new IT operating model. By utilizing our unique approach to connectivity, your business can take the first step towards fundamental transformation. It's critical to highlight however that unlocking your data is not an end in itself; rather, it's a strategic enabler to provide the business with long-term flexibility to meet evolving IT needs. Now that you've laid a solid foundation for success, the question is how do you use this data to better your business.

Use case

Guidewire

Guidewire is a company that offers software products for property and casualty insurers. MuleSoft has worked with several large insurers to help integrate some of Guidewire's core offerings, including PolicyCenter, ClaimCenter and BillingCenter with previously existing systems. The common challenge insurers face when approaching this is how to get fast value from Guidewire, while migrating safely from existing systems. To accomplish this, MuleSoft's approach encourages organizations to promote access to systems and underlying data via APIs. Doing so allows insurers to decouple existing integrations across the enterprise and provide access to systems. Implementing an API strategy also reduces project delivery times and long-term integration costs. Ultimately, insurers are able to gain early value from Guidewire, while migrating away from existing systems safely, and securely.

Step 2: Building connected experiences

Step 2 focuses on how you harness the unlocked value of your data and deliver a truly connected customer experience.

The customer experience matters more than ever, and crafting the experiences you want for your customers is a priority for IT teams across the industry. A recent survey found that "60.4% of customers are just not ready to compromise service levels in the hunt for the cheapest insurance deal. In fact, 27.2% are willing to pay a premium for better service".
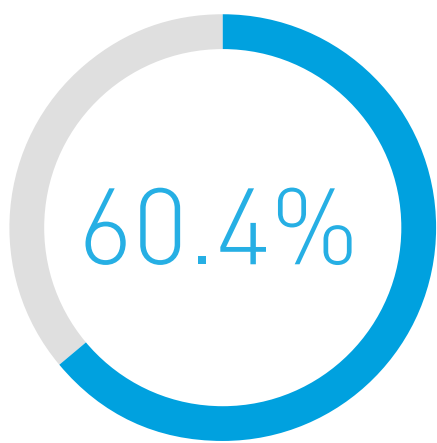
Most insurance consumers will not compromise service levels in exchange for cheaper insurance.
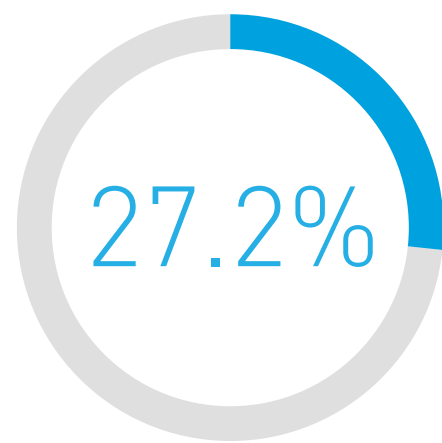
More than a quarter of insurance consumers said they would pay a premium for better service.

Getting corporate IT to mesh with digital transformation is often painful. Insurers frequently respond to changing consumer demands for new digital offerings by trying to embrace this change. With each new engagement method comes the need to provide seamless integration and a coherent, compelling customer experience. Traditional methods of integration mean that these projects simply take too long: the window of opportunity closes before the company is ready to exploit it. Demand is outgrowing delivery capability, resulting in IT becoming an obstacle rather than an enabler.

However, once you've taken Step 1 of our approach and begun to implement API's across your enterprise, composing existing

sources of data to create new touchpoints and experiences becomes easy. By wrapping these assets in APIs, you've created a virtual construction set. Fast, reliable development follows. Access to data and processes is encapsulated in modern APIs across your enterprise which are discoverable to the appropriate teams.

By taking Step 2, IT departments can deliver at pace and innovate. Digital transformation can come out of the garage and start to scale. We find that once an IT team has experienced this kind of success, it becomes energized to achieve more and introducing real benefits into the business with technology becomes the norm.

"Insurance is a service-first industry, but our operational performance is predicated on how well we connect and analyze data to deliver insights to drive company decisions. With our customers becoming savvier, we will need to provide richer information to them as well as figure out how to capture their sentiments in new ways and gauge their experiences with us so we can evolve our offerings to meet their needs. Therefore, having a solid API and integration strategy helps enable our capabilities in this area."

Jeff Rauch
Vice President, Information Technology at ICW Group

Connected experiences make insurance easier, faster, and more understandable for everyone involved. The complexity of the underlying business will always remain, but this approach provides effective simplification and enablement that can drive innovation, customer loyalty, and business value. Taking Step 2 turns your organization into a flexible, responsive, and coherent machine which truly serves the business—without risking redevelopment of underlying systems, imposing new constraints, or interrupting service delivery.

Insurance companies

› MuleSoft recently worked with one insurer to transform their car accident notification process. Before, customers who contacted the company were asked to email photographs of the accident. Staff then had to trawl through incoming emails to extract the relevant pictures and assign them to the correct cases. However, by using MuleSoft's API-led connectivity and integrating systems and data, we were able to help redesign the process so that customers are sent a link which takes them to a helper app. The app guides them through the pictures they need to take and files the images with the case automatically. It's a clearer and faster process for the customer and a massive saving on staff time. And the working solution was developed in one week.

› MuleSoft is helping another top insurer boost their GI business by creating a suite of APIs, which enable different types of access to their functionality so that they become easier to partner with. The ease with which you can do business is becoming a key test for potential partners. It's always been possible to build dedicated bridges for affinity partners, but having standardized APIs makes you ready for potential relationships and to integrate new partners wherever and whenever they arise.

Step 3: Becoming data-driven

Having unlocked your data, and with new connected experiences transforming the business, you're ready to take Step 3: using data to drive automated, smart decision-making. Now you can enable *proactive* rather than reactive, insurance. Real-time business and AI-led activities become practical and profitable.

Insurance processes generate data streams, which can be analyzed for actionable insights. For example, some insurers have detected, via their interactions with aggregators, patterns of behavior which might signal fraud. If a customer tries several incompatible options on repeated quote forms then they may be trying to game the system to discover which answers lead to the cheapest quote, which is likely not a true reflection of their situation. With all your data available for instant analysis, alerts can be generated during the customer engagement without impact on the main process.

Customer life stages also become actionable. For example, if you know that a home insurance customer has a child who is about to go away to university, you can make a timely offer before the customer even thinks about shopping around for a deal. While in many industries personalization means tailoring products and services for individual preferences, in insurance it tends to mean assembling the correct elements required for an opportunity which is signalled by a well understood event or a well founded hypothesis about customer behavior. And while it's common to think about customer centricity as a business-to-consumer phenomenon, the same rules apply in business-to-business settings.

Being data-driven also means being able to automate more processes for faster transaction times. Take claims for example. Insurers have become faster to sell them a policy without necessarily accelerating their claims processes to

match, making them keen to buy but also likely to churn. In an age where online reviews have multiplied the influence of word-of-mouth recommendation by an incalculable factor, customer reports of slow and confusing claims experiences can have a major effect on potential customers. One of the major impediments to shortening the claims process is often disconnected IT systems. If insurers can speed up their claims they will improve customer trust which will, in turn, drives increased loyalty and generates more new business through better reviews. Once you've taken Steps 1 and 2, streamlining claims becomes possible.
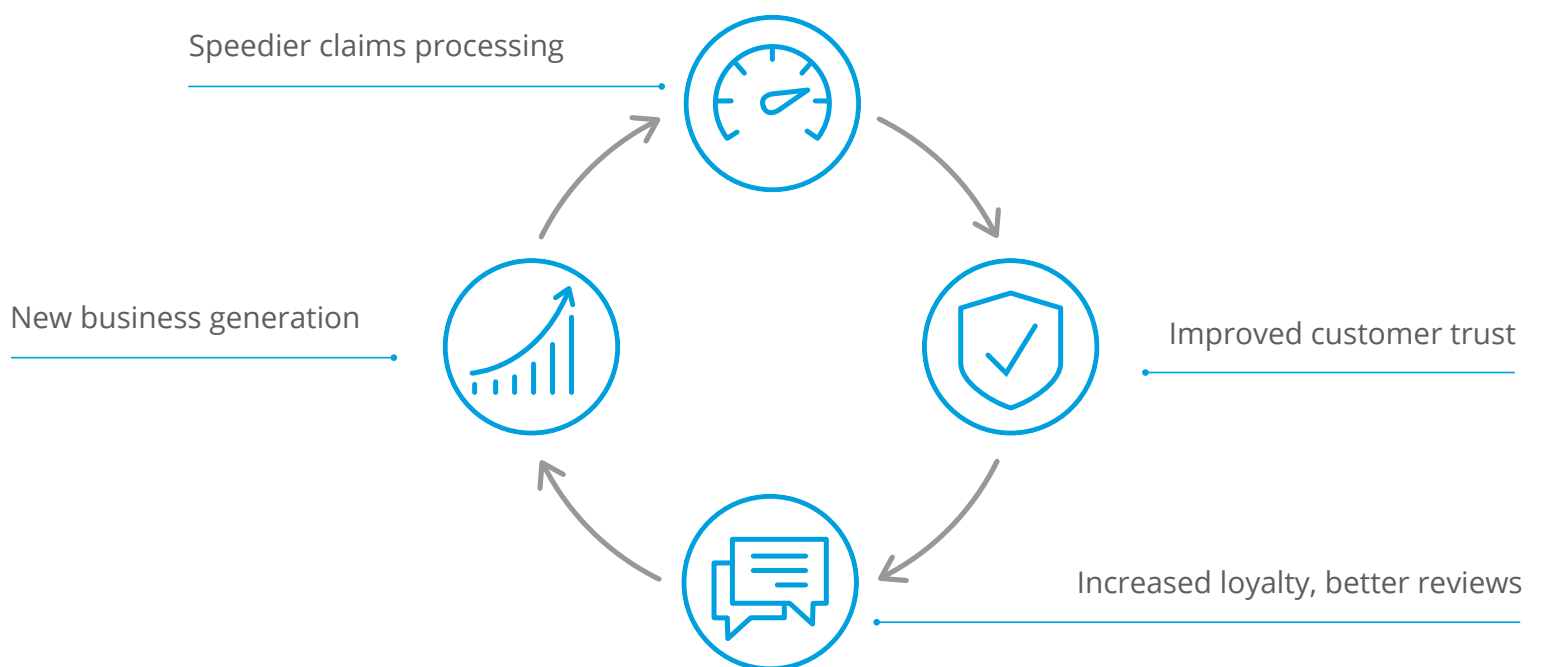

Speedier claims processing

New business generation

Improved customer trust

Increased loyalty, better reviews

Figure 2: Streamlining claims processes through automation results in increased customer loyalty and in turn, new business generation.

It's also then possible to automate the underwriting process and truly innovate. Technology is always evolving and nobody can predict what will take off in a year from now. By taking step 3, you future-proof your ability to embrace new technologies. Take, for example, blockchain technology. Forbes argues blockchain has the potential to help insurers better cope with fraud, improve the claims process via smart contracts and ultimately improve organizational efficiency and consumer trust in insurers. Any promising solutions such as this that

move beyond proof of concept will need to communicate with existing business systems.

If you've already unlocked your data and processes then you're in a great position to exploit the new possibilities as they come on stream, getting ahead of your competitors and booking the benefits early. In fact, wherever you see an emerging technology with a potential impact on insurance, the same necessity for unlocked data and processes applies.

Think of IoT in insurance—a largely futuristic concept until recently. Now, first movers are showing how *connected insurance* has the ability to transform the industry. But in order to take advantage of the business opportunities associated with connected devices, you need your systems to be able to collaborate with them. Given the absence of stable industry standards for connected devices or even clear IoT device leaders, insurers need to be able to collaborate with any and every type of device. By unlocking your data and processes you make the organization's operations open to change.

Insurers' IT teams will not just be able to deliver more functionality faster, they will also be able to contribute directly to business innovation by running multiple experiments in parallel, generating measurable results that allow quick cancellation of failing ideas and rapid promotion of winners. Every IT department can become an incubator, exploiting unlocked data and processes to try out new products, services, engagement styles, and partner relationships.

Why API-led connectivity? A fresh approach to insurance transformation

Across all three steps, the importance of APIs has been stressed in unlocking customer data, creating connected experiences, and becoming a data-driven provider. For IT teams to be able to adapt to the ever-growing demands placed upon them, they need to create an agile, future-proof architecture that supports a long-term strategy. To do this, organizations must move beyond point-to-point integration and embrace a new approach: an approach we call API-led connectivity.

API-led connectivity is a three-layered architectural approach, that provides insurers with the agility and flexibility they need to thrive in the digital age.

API-led connectivity is MuleSoft's unique methodology for end-to-end integration across the enterprise. API-led connectivity is a three layered architectural approach, that provides insurers with the agility and flexibility they need to thrive in the digital age. By adopting this approach, you are able to decompose your business into a unique set of reusable processes, while empowering the business to undertake their own projects, thus reducing the strains upon central IT. Figure 3 demonstrates the three layers of API-led connectivity within the context on insurance.
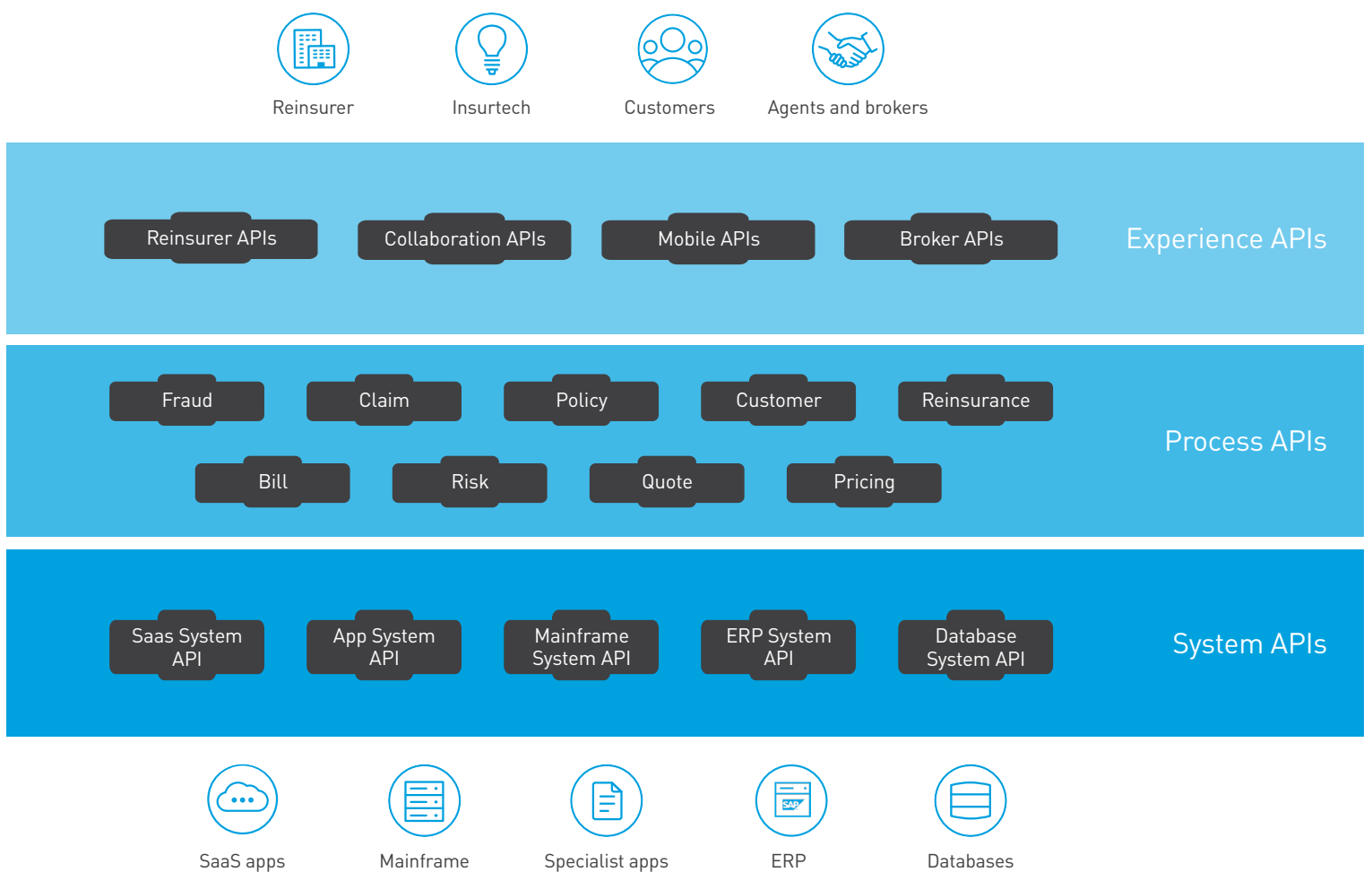
Figure 3: The three layers of API-led connectivity within the context of insurance.

> **The System Layer:** APIs that expose data from core systems of record (e.g. policy management, key customer systems, billings systems etc.). These APIs are governed by central IT, but are accessible to lines of business across your enterprise.

> **The Process Layer:** APIs that allow the orchestration of core data to help form a single view of your customer. For example, in a claims management process, there is some common logic across various products, geographies and channels. This logic can be distilled into a single service that can then be called by product, geography, or channel-specific parent services. These APIs are created to perform specific functions and are often created by lines of business across the enterprise.

> **The Experience Layer:** APIs that allow the consumption of the same data, but across a range of channels. Data is translated, so it can be consumed by a variety of audiences across multiple applications. For example, an insurer can have access to the same customer information across both a mobile and web application.

Conclusion

In both personal and commercial lines, insurers can harness the power of API-led connectivity to increase efficiency, gain better access to data and provide the experiences today's customers demand. Unlocking your data and processes creates the environment for genuine innovation, enabling connected experiences and making the organization data-driven in all its activities.

Insurers and their technology partners have long struggled to balance systems integration with the flexibility needed to adapt to change. With MuleSoft's approach of API-led connectivity, the puzzle can be solved. By wrapping your existing assets, you unlock your data and processes so that they become business capabilities without compromising underlying systems. You become free to compose new functionality and value both inside the organization and across the value chain. And you make the business smarter, more responsive, more creative, and better synced to its evolving environment.

In just three steps, you can begin to revolutionize your business.

> Learn more about what API-led connectivity can do for your organization.

About MuleSoft

MuleSoft's mission is to help organizations change and innovate faster by making it easy to connect the world's applications, data and devices. With its API-led approach to connectivity, MuleSoft's market-leading Anypoint Platform™ is enabling over 1,400 organizations in approximately 60 countries to build application networks.

For more information, visit **mulesoft.com**

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