

ADVISORY CONSULTING

# MANAGING P&C INSURANCE COMPLEXITY WITH AGILE CORE SYSTEMS

As complexity has increased, insurers need agile systems to efficiently manage operations, quickly introduce new innovative products to market, and effectively manage architecture complexity.

Authors: Mark Breeding, Senior Partner  
Tom Benton, Partner

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BASED ON SOLUTIONS FROM

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## P&C INSURANCE CHALLENGE: COMPLEXITY

### P&C INSURANCE IS BECOMING MORE COMPLEX

Property and casualty insurance is experiencing significant changes and becoming more complex. One key factor is the availability of a wide range of data types for actuarial and underwriting processes. With advancements in technology and the proliferation of digital platforms, insurers now have access to vast amounts of data from various sources, such as geospatial, telematics, and IoT devices. This influx of data provides insurers with more accurate insights into risk assessment and pricing, but it also requires sophisticated data analytics capabilities to effectively utilize this information.

Data and analytics are driving another area of complexity: the trend toward specialization and personalization of insurance products. Customers now expect tailored coverage that meets their specific needs and preferences. As a result, insurers are developing niche products and customizing coverage options to cater to individual policyholder requirements. This shift toward specialization requires insurers to have a deep understanding of various industries and customer segments, leading to increased complexity in product development, underwriting, and claims management processes.

Another contributor to the complexity of property and casualty insurance is the increasing frequency and severity of catastrophic risks. Catastrophes like wildfires, hurricanes, flooding, and other weather-related events have become more frequent and intense in recent years, posing significant challenges for insurers, leading some to exit certain markets. These CAT risks require insurers to reassess their underwriting strategies, pricing models, and claims management processes to adequately address the potential losses associated with these events. Insurers need to invest in advanced modeling techniques and risk management tools to accurately assess and mitigate these risks.

The evolving regulatory environment is another factor contributing to the complexity of P&C insurers. State and national regulatory entities are constantly introducing new regulations and compliance requirements to protect policyholders and ensure fair practices within the industry. States hard hit by CAT events, like Florida and other Gulf states, are enacting legislation to both protect consumers and provide financial backing and reinsurance to shore up the insurance market in their states. The NAIC continues to propose regulations for ensuring the ethical use of data and advanced technology, particularly those related to the use of data and artificial intelligence. Insurers must stay updated with these regulations and adapt their operations accordingly, which can be a complex and time-consuming process. Compliance with multiple regulations across different states adds additional layers of complexity for insurers operating in multiple markets.

P&C insurers also face increasing technical architecture complexity. Many insurers continue to rely on legacy systems that often are not compatible with modern technologies and data integration requirements. As insurers adopt new digital platforms and next-generation systems, they look to APIs (Application Programming Interfaces), cloud platforms, and advanced infrastructure technology to ensure seamless integration between new and existing systems. This requires careful technology architecture planning and execution to avoid disruptions and maintain operational efficiency.

The availability of diverse data types, specialization of products, increasing CAT risks, evolving regulatory environment, and complex technical architectures all contribute to the growing complexity of P&C insurance. Insurers are adapting to these challenges through investment in advanced analytics capabilities, core system modernization, and updated technology infrastructure to provide the flexibility needed to stay updated with the evolving technical landscape and to provide policyholders with comprehensive coverages and products.

## CORE SYSTEMS NEED TO BE AGILE

To address growing complexity, P&C insurers need agile core systems. Agile systems can better integrate into insurers' complex architectures, enabling faster implementations, better access to data, and improved customer experience.

Agile core systems also provide the capability to better support complex products. Insurers need the ability to quickly configure new products to respond to market needs. With the increasing complexity of risks and the new capabilities for rating and pricing them, insurers need to be able to launch complex products faster to stay competitive.

Streamlining and updating the distribution experience is also a priority. In the competitive market today, insurers need to provide an experience that's quick and efficient for customers and distribution partners. To do this, insurers need agile core systems to simplify application and claims processes, improve communication with agents and policyholders, and provide compliance to an increasingly complex regulatory environment. Core systems must have the agility to manage these complex processes to meet their goals for customer experience and growth.

Insurers face challenges with complex architectures, complex products, and complex processes. Agile core systems can provide solutions to manage the growing complexity of P&C insurance.

## USE CASES THAT ARE DELIVERING VALUE

The following use cases demonstrate how agile core systems are bringing value to carriers with increasingly complex technical architectures, products for complex lines of business, and complex insurance operations.

### USE CASE #1

#### INTEGRATING COMPLEX ARCHITECTURE

Many carriers have multiple policy administration systems and connect to other third-party solutions via APIs and microservices. Integration is key for faster implementation, improved experience, and data analytics enablement. Insurers often face challenges in streamlining their operations and ensuring seamless communication between various systems in their overall architecture. By adopting agile integration practices, carriers can reduce the time and effort required to integrate these systems, enabling them to quickly implement new products and expand number of states, process claims efficiently, and respond promptly to customer inquiries.

Agile integration is also important for enhancing the overall customer experience. Customers expect a seamless and personalized experience when interacting with insurance providers. Integration of core systems can enable the consolidation of customer data from various sources to provide a complete overall view of the customer. This deeper understanding of the customer's needs and preferences helps insurers to offer individualized products, personalized customer support, and more efficient claims processing, all of which contribute to greater levels of customer satisfaction and retention.

Integration of core systems also enables improved data analytics. Data in complex architectures is often stored in many locations across multiple systems, which makes it a challenge to develop insights for decision-making and developing new products. Consolidating data and creating a centralized data repository allows insurers to better leverage data for advanced analytics tools and effective use of AI technology.

#### ARCHITECTURAL FLEXIBILITY AND AN ADVANCED DATA ENGINE ENABLE AGILITY AND OPERATIONAL PERFORMANCE

##### COUNTRY Financial Case Study

##### THE COMPANY

COUNTRY Financial – founded in 1925 – has been offering personal and commercial insurance across a range of property and casualty lines for nearly 100 years. The organization is a multiline carrier that also offers life and retail investment solutions. They have more than \$87 billion of life insurance in force and have been ranked on the Fortune 1000 list consistently since 2004. A.M. Best, an independent insurance industry rating agency, has given COUNTRY Financial an “A+” rating – the highest available – for financial strength and ability to meet client obligations for nearly 90 consecutive years. The organization is also a personal lines client of Sapiens, collaborating for more than a decade.

##### THE INITIAL CHALLENGE

COUNTRY Financial began its search for “best-of-breed” systems for policy administration, billing, and claims. Based on the unique features of their product sets, they required a highly flexible platform that would meet the needs of a custom product in market. For example, their legacy auto product had custom features, such as rating drivers and vehicles across policies in the same household. And, as a multiline carrier, COUNTRY Financial also required flexibility and the ability to integrate with other systems, as it would be one of several policy administration systems in their technology ecosystem.

## THE SOLUTION

After vetting several of the leading systems – as well as the up-and-comers at the time – Sapiens PolicyPro (formerly Adaptik) stood out as being superior in handling complex products and processes. While other systems more readily supported bureau-based products built around standard deployments, Sapiens offered fast deployment of highly flexible capabilities. COUNTRY Financial selected Sapiens for the flexibility in both its configuration as well as its ability to integrate. Another critical consideration was Sapiens' highly advanced data chassis to support pricing. The system allows for an easy flow of detailed policy and pricing characteristics to their data lake, supporting improved actuarial and analytical modeling at all stages, from quotes to new business issues to renewal.

## BENEFITS AND OUTCOMES

By introducing a wide range of options and a high level of architectural sophistication, Sapiens has enabled COUNTRY Financial to 1) implement complicated logic to their custom products, 2) leverage a sophisticated underwriting rule set, and 3) achieve easy integration with Agency systems and digital client service.

The flexibility of the system and its data engine enable quick response to changing business conditions, which supports COUNTRY Financial remaining competitive in the market.

Specific benefits include:

- **Easy Upgrades:** Since its implementation, COUNTRY Financial has been able to cleanly upgrade and stay current with the system's evolving code base, preserving the carrier's configurations.
- **Faster Speed to Market:** The flexibility of the system has driven a greater speed-to-market than could have been achieved before. In fact, straight-through processing for new home business on their legacy system was 5%. In the initial rollout with Sapiens, they were able to bring that to 45%, representing a win-win-win for clients, agency, and underwriting.
- **Advanced Data Chassis:** The flow of data in and out of the system within the COUNTRY ecosystem of integrations is reliable and has performed well. The product and pricing data granularity, when married with loss data, allows for far more sophisticated and competitive pricing and analytical models.
- **Third-Party Integrations:** Easy integration with other third parties helps deliver solutions and improved processes.
- **Improved Client Experience:** APIs provided can be used natively, exposing them to clients in a contemporary architecture as opposed to having exports into a middleware layer that requires a multi-step process.
- **Ongoing Partnership:** Sapiens professional services consultants – demonstrated as being extremely knowledgeable during the vetting process – have consistently added value by working alongside the COUNTRY Financial team, listening to their needs, and minimizing the need for customizations since new features and capabilities are continually being introduced.
- **Lower Cost of Ownership:** Over the next couple of years, COUNTRY Financial plans to convert policies from their legacy systems so that every personal auto and home policy is administered on this one system to lower total cost of ownership.

**USE CASE #2****SUPPORTING COMPLEX PRODUCTS**

To stay competitive in the evolving P&C insurance market, insurers need to be able to configure complex products quickly. Policyholders expect products that meet their individualized requirements and specific needs, with a wide range of coverage options and endorsements. To keep up with market demands, insurers need core systems that can quickly adapt to new product lines.

Legacy core systems often lack the flexibility and agility required to develop and launch new product lines quickly. This can lead to long and expensive development cycles, which affects the insurer's ability to respond rapidly to market needs. Lack of agility can not only slow speed to market but also lead to inefficient operations that affect customer experience.

The increasing complexity of customer demands and the need to address emerging risks highlight the importance of agility in product development and launch. By investing in agile core systems, insurers can better meet policyholder's individualized needs and more effectively take advantage of new market opportunities.

**SPEED TO MARKET IS KEY****Tokio Marine Highland Case Study****THE COMPANY**

Tokio Marine Highland (TMH) is a leading property and casualty underwriting agency that offers a broad suite of trusted, creative solutions for specialty lines, including private flood, construction, fine art, specialty property, real estate investment, and lender-placed insurance coverages. Founded in 1962, TMH is a wholly owned company of Tokio Marine Kiln, one of the largest carriers in the Lloyd's of London insurance market and a member of the Tokio Marine Group.

**THE CHALLENGE**

TMH needed a comprehensive solution to support its highly customized products, services, and workflows for its specialty lines of business. Speed to market was a particular priority as TMH continuously adds and customizes product offerings based on market needs.

**THE SOLUTION**

TMH selected Sapiens CoreSuite for P&C to support its specialty lines of business and opted for Sapiens-managed services in the AWS Cloud, with continuous application support and upgrades. TMH was particularly impressed by CoreSuite's speed in meeting highly specialized market requirements and its rapid processing of the policy, billing, and claims lifecycle. CoreSuite's configurability, speed to market, ability to support TMH's self-support option, and industry reputation were other selection factors.

**IMPLEMENTATION AND OUTCOMES**

The Construction line of business (Builder's Risk) was the first to be brought to production. The joint implementation team is now actively working on the Private Flood and Fine Arts lines of business. Rollout is being handled in a phased approach with a strong TMH-Sapiens global joint team. The ClaimsPro rollout was highly successful for TMH's "Precise Adjustments" business unit, and the BillingPro implementation is now underway. All three CoreSuite platforms (PolicyPro, ClaimsPro, and BillingPro) work together to deliver the highly specialized needs of TMH's business units. CoreSuite for P&C has successfully supported the creation and deployment of specialty products and continues to offer flexibility on workflows within TMH's diverse product line. Sapiens' cloud hosting services consistently provide robust security and seamless upgrades in the AWS Cloud, while allowing continuous growth and deployments based on priorities set by TMH.

**USE CASE #3****MANAGING COMPLEX PROCESSES**

Agile core systems help property and casualty insurers manage complex processes efficiently and effectively. These systems provide the flexibility and adaptability needed for automating and streamlining complex workflows, integrating to better access data needed for processing, and adapting quickly to changing markets and regulations.

Agile core systems manage complex workflows, including a wide range of tasks across policy administration, claims management, underwriting, and billing. By automating these processes, insurers can reduce manual errors, improve accuracy, and increase operational efficiency.

They also reduce process complexity through their ability to integrate with other systems and technologies. Since they are designed to be highly interoperable, they allow insurers to seamlessly connect with external data sources, third-party applications, and other internal systems. This integration capability enables insurers to access real-time data, make informed decisions, and provide personalized services to their customers.

Agile core systems also enable insurers to quickly adapt to market changes and regulatory requirements. The insurance industry is constantly evolving, with new products, regulations, and customer expectations emerging regularly. Agile core systems provide insurers with the agility and flexibility needed to respond to the complexity of these changes rapidly. Insurers can easily configure and customize their systems to accommodate new products, update business rules, and comply with regulatory mandates.

**SCALABLE, FLEXIBLE, AND CONFIGURABLE SOLUTIONS ENABLE ORGANIZATIONS TO ADAPT AND THRIVE****Collective Case Study****THE COMPANIES**

In today's competitive P&C marketplace, insurers' business models are inherently complex. This combined case study includes examples of challenges shared by a range of carriers, and illustrates how Sapiens' scalable, flexible, and highly configurable P&C solutions enable all these organizations to navigate various process complexities to adapt and thrive. Standard and specialty line insurers' challenges and the solutions they adopted are included collectively to address a wide variety of insurer pain points. The carriers included here are those in the Tier 2-4 range and cover the following insurance lines of business: auto, property, liability, pet, fine arts, builders' risk, energy, workers' compensation, and ocean cargo.

**CHALLENGES**

Sapiens' P&C customers consistently navigate similar operational challenges, specifically seeking to:

- cut costs,
- expedite speed to market,
- prevent corporate silos,
- increase automation,
- and streamline efficiency, while trying to stand out as the industry's carrier of choice.

Customers engage Sapiens, seeking to solve their inability to address these issues effectively based on data deficits, manual workarounds, and a lack of modern automation. Further, carriers with multiple lines and complex architectures require a holistic view from a wider insurance ecosystem, with the correct data that can identify risk.

## SOLUTIONS

Sapiens' CoreSuite for P&C – and its individual modules – are proven to enable speed, ease, and accuracy across all business operations, while improving the customer journey and overall experience as evidenced by several different customer cases.

- One carrier selected Sapiens' PolicyPro platform based on its ability to facilitate an easy flow of detailed policy and pricing characteristics to its data lake to support enhanced actuarial and analytical modeling. By seamlessly automating complicated logic and a sophisticated underwriting rule set into the process for its custom products, the solution enabled capabilities that allowed them to better identify and control their risk while accelerating response and improving overall user experience.
- A highly regarded underwriter and specialty solutions provider sought a comprehensive platform that would enable exceptional speed to market for its multiple products, each of which required different workflows. The carrier selected Sapiens CoreSuite for P&C while opting for Sapiens' SaaS offering in the AWS Cloud. Due to the CoreSuite platform implementations (PolicyPro, ClaimsPro, and BillingPro), the carrier's specialty products are now strongly supported and deployed with multiple workflows, while Sapiens' cloud services provide airtight security and seamless upgrades, allowing for continuous growth and delivery based on the carrier's priorities.
- A specialty niche startup within an existing carrier required capabilities to scale for rapid growth. The carrier ultimately selected Sapiens CoreSuite for P&C for its ability to configure and deploy complex products, achieving exemplary speed to market, and allowing the carrier to experience significant growth with the ability to meet market demands with niche product offerings.
- A specialty insurer that serves niche property, casualty, and surety markets required a new and enhanced solution to service its diverse set of specialty products, with a particular focus on UI and policy processing automation to support standard policy lifecycle services. The insurer selected Sapiens' PolicyPro solution to support these operations for its high configurability and streamlined workflows, allowing the carrier to leverage where business needs are the same and differentiate when required.

## OUTCOMES

Empirical data amongst these customers demonstrate enhancements were yielded across the full range of insurance management activities, including configuration, business usage, reporting, technical integration, APIs, user experience, and customer engagement.

The specific benefits customers achieved include:

- faster response to changing business conditions for increased competitive advantage,
- better customer experience through a robust self-service portal,
- reduced infrastructure costs due to cloud deployment,
- increased throughput by 30%,
- faster content submissions via document uploads,
- improved task management by facilitating faster document delivery to underwriters, resulting in significant productivity gains,
- enhanced email templates incorporating prefilled wording for ease of use,
- improved user experience due to natively used APIs,
- and a lower cost of ownership.

## ABOUT SAPIENS

# SAPIENS

Sapiens International Corporation (NASDAQ and TASE: SPNS) empowers the financial sector, with a focus on insurance, to transform and become digital, innovative, and agile. With more than 40 years of industry expertise, Sapiens' cloud-based SaaS insurance platform offers pre-integrated, low-code capabilities across core, data, and digital domains to accelerate our customers' digital transformation. Serving over 600 customers in 30 countries, Sapiens offers insurers across Property & Casualty, Workers' Compensation and Life Insurance markets the most comprehensive set of solutions, from core to complementary, including Reinsurance, Financial & Compliance, Data & Analytics, Digital, and Decision Management. Sapiens' team of more than 5,000 employees operates through our offices in North America, the UK, EMEA and Asia Pacific.

For more, visit [www.sapiens.com](http://www.sapiens.com)

## ABOUT RESOURCE PRO CONSULTING

At ReSource Pro Consulting, our clients advance their strategic initiatives and accelerate their transformational journeys by leveraging our forward-thinking insights, deep vendor knowledge, and vast industry expertise.

Mark Breeding, Senior Partner, can be reached at [mark\\_breeding@resourcepro.com](mailto:mark_breeding@resourcepro.com)

Tom Benton, Partner, can be reached at [tom\\_benton@resourcepro.com](mailto:tom_benton@resourcepro.com)



ReSource Pro is an insurance-focused business solutions company that integrates people, process, technology, and data analytics. Over 1,000 carriers, brokers, and MGAs rely on ReSource Pro to execute strategies that improve profitability, accelerate growth, deliver improved claim outcomes, and enhance client and employee experience. With more than 7,000 employees globally, ReSource Pro provides business process management, strategic advisory services, management and organic growth consulting, training, and compliance solutions around the clock. ReSource Pro has consistently achieved a +95% client retention rate for over a decade.

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