

HOBSON & COMPANY



Driving ROI

Insurity Policy Decisions
The Business Case for Insurers

The Business Case for a Policy Administration System for Insurers

Investment in insurtech has grown exponentially in recent years, with new worldwide funding commitments of \$6.37 billion in 2019¹. Increased digitization across the industry is putting pressure on insurance carriers to customize products and services and make them available on-demand, in real-time, over multiple platforms². In addition to modernizing their tech infrastructure to better compete with new entrants to the market and new types of insurance products, insurers are using this shift to improve efficiencies throughout the entire policy lifecycle while also providing a better experience for their agents and policyholders. Fortunately, these investments can also reduce the overall IT burden of the policy administration system.

Tools that simplify the application, quote, and renewal processes are in high demand to help streamline operations. Insurers who get quotes out faster and have better access to data and analytics increase DWP and increase market share while reducing overall costs and providing better agent and policyholder experiences.

Hobson & Company, a leading research firm focused on return on investment (ROI) studies, worked with Insurity, a leading provider of cloud-based insurance management software solutions and data analytics, to explore these challenges and learn how industry leading insurers, brokers and MGAs are responding. Hobson & Company conducted independent research consisting of in-depth interviews with Insurity's Policy Decisions clients and found that Policy Decisions addressed specific challenges to deliver a quick and compelling ROI.

Based on this analysis, an average insurer with DWP of \$150m, 50 underwriters, and 3 regulatory reporting managers would see a payback in 7.3 months and generate an ROI of 83% with Policy Decisions. The goal of this research study and paper is to highlight examples of validated use cases where the impact of Policy Decisions is not only strategic, but measurable based on key metrics confirmed by current users.

Insurers' Challenges

Insurers interviewed for this study noted that there are consistent operational and growth challenges with existing policy administration systems. Below is a list of some of the most universal concerns.



Suboptimal underwriting systems

Integrating and importing data from multiple systems and screens was a challenge cited by many of the insurers. Many expressed frustration about the time-consuming manual processes required for quoting policies and having to outsource enhancements without a software package like Policy Decisions.



Complicated growth challenges

Attempts to add new products or get quotes out quickly to be competitive are complicated by slow to respond or antiquated policy administration systems. Employees, agents, and policyholders expect access to online portals to conduct business - capabilities which many older systems do not offer.



Difficult to control business risk

Insurers spend a significant amount of time keeping systems current with regulatory changes mandated in bureau circulars, which eat into the resource and investment dollars available to focus on growth or improvements like advanced data analytics.

¹ Source: <https://www.propertycasualty360.com/2020/04/07/5-ways-insurers-can-accelerate-insurtech-roi/>

² Source: <https://www2.deloitte.com/us/en/pages/financial-services/articles/fintech-insurtech-investment-trends.html>

Client research identified the benefits of Insurity's Policy Decision solution across three broad business objectives:

Streamline Underwriting Operations

Reduce time spent quoting policies

Clients interviewed confirmed that using Policy Decisions saved significant amounts of time by reducing the number of screens to navigate, assigning processing and referrals to the right person, integrating out of sequence processing and cross-term endorsements, and allowing for flexibility of browser and devices by utilizing APIs.

Clients interviewed reported:



↓35%

REDUCTION in time spent quoting policies

“The ability to add unsupported forms to the output and select multiple states for state applicability will affect the 8,000 current policies per year plus anticipated growth of 20% per year.”
- VP, Operations

Reduce IT time and cost of maintaining existing policy administration system

Maintaining an in-house policy administration system requires deep technology expertise and many clients did not have the IT resources to handle it. Instead, they moved to Policy Decisions' integrated platform which reduced internal costs and time of managing daily backups, disaster recovery, and hardware and software upgrades.

Clients interviewed reported:



↓25%

REDUCTION in time and costs spent on previous policy administration system

“Capital costs will drastically decrease. We only have to test the changes we have requested and have decreased our testing efforts by 50%.”
- VP IT and CIO

Drive Growth

Increase breadth of business writing with easier expansion to new LOBs

Insurers looking to grow into new lines of business can be hindered with an out-of-date policy administration system. But Policy Decisions allows underwriters to implement changes and client-specific coverage more quickly by integrating with other systems.

Clients interviewed reported:



↑1%

INCREASE in DWP with easier expansion to new LOBs

“There will be improved speed to market and impact on DWP using Policy Decisions since we will have the ability to easily change rates and create forms which will improve our ability to meet market demands.”
- CIO

Improve competitiveness with faster quotes and better agent experience

Staying competitive requires underwriters getting quotes out as fast as possible and maintaining a good relationship with agents. Clients noted that Policy Decisions' comprehensive quote dashboards provide easy access to submission details, including underwriting approvals, rating, quoting, and binding with customized underwriting screens, forms & rate table maintenance, and improved rules, workflow, and screen design.

Policy Decisions' mobile capabilities improve the ease with which policyholders can work directly with carriers. Policy Decisions' underwriter policy dashboard encourages agent self-service for policy quoting and subsequent transactions.

Clients interviewed reported:



↑0.75%

INCREASE in DWP with faster quotes and better agent experience

“With Policy Decisions, the improved capability to update changes ourselves allows us to implement a change as soon as it has been filed. So, even if a competitor sees the filing and wants to roll out the same product offering, we can do it faster with Policy Decisions.”
- VP IT and CIO

Mitigate Risk

Reduce time keeping systems current with bureau mandates

The bureaus issue thousands of changes per year making it difficult for insurers keep up to date with expanding regulations per state and per line of business. Clients using Policy Decisions had noted improvements in keeping current since Policy Decisions supports over 20 commercial, bureau-based lines of business across ISO, NCCI, and AAIS. Policy Decisions' collaborative regulatory advisory group, which includes clients and representatives from ISO, NCCI, and AAIS, evaluates the bureaus' mandates and circulars on a monthly basis. Approved service packs, with appropriate updates that meet compliance requirements, are then delivered to clients.

Clients interviewed reported:



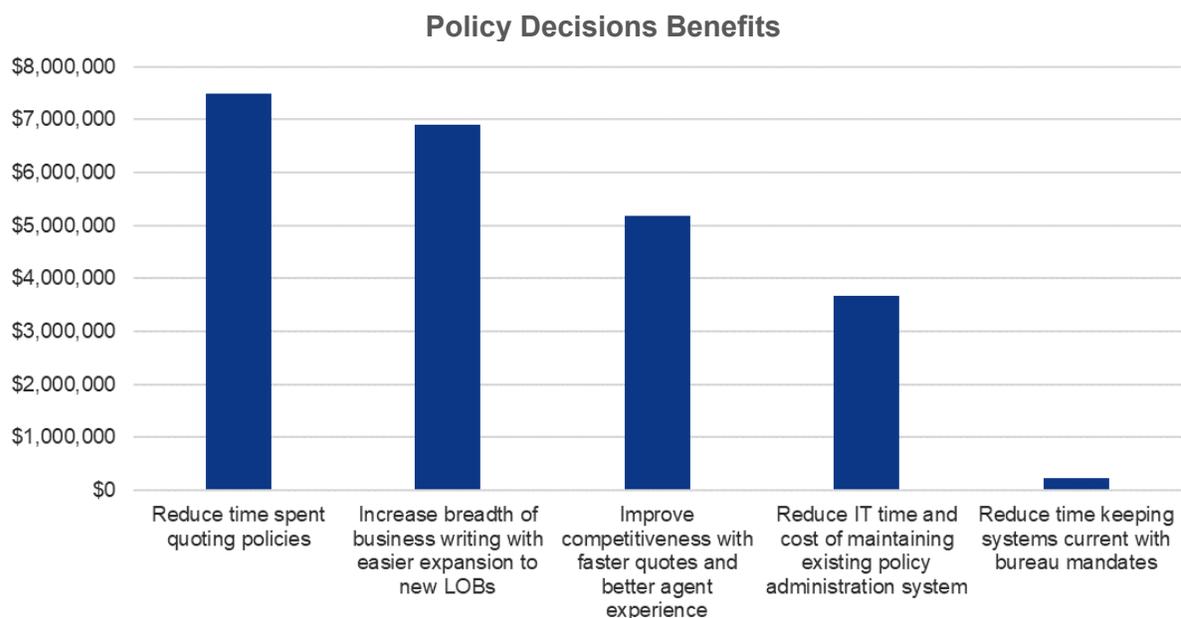
↓20%

DECREASE in time spent keeping systems current with bureau mandates

“When we were just using ISO, if a new form was published, we'd use it but there was a time delay. There were no checks and balances to be sure we were using it correctly. We now have the peace of mind that we are in compliance with the Policy Decisions' service packs.”
- SVP Underwriting

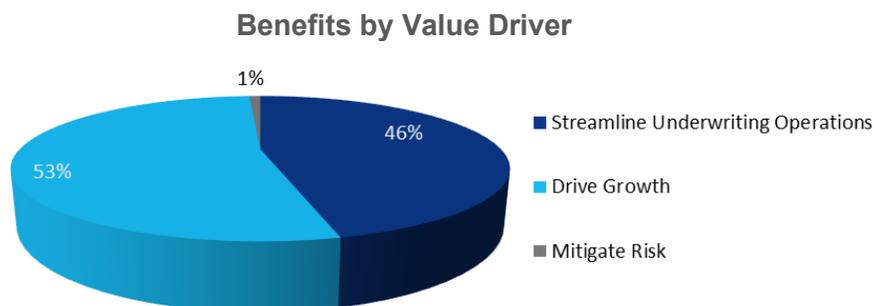
SUMMARY

A total of 5 discrete Policy Decisions benefits were identified during the client interviews for this research paper. Below is a summary of the benefits and their potential 5-year value to an insurance carrier with \$150,000,000 in premiums per year, 50 underwriters, and 3 compliance managers.



The value of Policy Decisions is immediate and demonstrable. For this sample insurance carrier, an initial investment of \$2,200,000 generates a positive return in 7.3 months with annual benefits exceeding \$4,300,000 per year. The 3-year net present value (NPV) and return on investment (ROI) are strong at \$4,819,000 and 83%, respectively. The key financial metrics for the sample company were calculated by standard methods and are shown below. The NPV calculation assumes a 10% cost of capital.

Financial Metric	5 year value
Payback (months)	7.3
ROI	83%





About Insurity

Insurity is a leading provider of cloud-based core system solutions and data analytics for the world's largest insurers, brokers, and MGAs. Through its best-in-class digital platform and with unrivaled industry experience and thought leadership, Insurity is uniquely positioned to deliver exceptional value, empowering clients to focus on their core businesses, optimize their operations, and provide superior customer experiences. With users worldwide and more cloud-based deployments than any other core system provider in the insurtech space, Insurity is trusted by 15 of the top 25 property/casualty carriers in the US. For more information, visit www.insurity.com.



About Hobson & Company

Hobson & Company helps technology vendors and purchasers uncover, quantify and validate the key sources of value driving the adoption of new and emerging technologies. Our focus on robust validation has helped many technology purchasers more objectively evaluate the underlying business case of a new technology, while better understanding which vendors best deliver against the key value drivers. Our well researched, yet easy-to-use ROI and TCO tools have also helped many technology companies better position and justify their unique value proposition. For more information, please visit www.hobsonco.com

Disclaimer: The return-on-investment (ROI) and other financial calculations expressed in this research paper are based on data provided by Policy Decisions clients and various assumptions and estimates only. The actual ROI realized by clients may vary from the estimates provided. Insurity offers this research paper to assist clients with evaluating policy administration systems, however, Insurity and Hobson & Company (the firm that performed the research study and created this document) are not responsible for the accuracy of any estimates.

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