Challenges and Opportunities for Life Insurance Illustrations

A Novarica Research Partners Program™ Report
Underwritten by EquiSoft

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Executive Summary

As individual life insurers look for ways to better compete on customer experience, illustration tools have become more important in the sales process. Many carriers have in-house developed programs that limit the ability to maintain updates for new products, which affects the speed to market, and these systems also are more difficult to integrate with electronic applications and other capabilities for both new business and in-force illustrations.

This report presents results from a survey on illustration system capabilities at 10 carriers that offer individual life products. Insurer CIOs and IT leaders were asked about challenges and limitations of their current illustration system, and their perspective of what is important in a replacement system.

Most currently use in-house developed systems, and they expressed high interest in vendor solutions for a new system. Overcoming limitations in reporting and integration capabilities, along with providing better customer experience are key factors when considering a replacement. Replacing current in-house systems is being given priority in their IT budgets. This report provides insight for CIOs facing similar challenges and who are considering alternatives for improving illustration capabilities.

This report presents and discusses the findings of a survey of 10 individual life insurers, active in the US and Canada, mostly of medium size (annual premiums of $100M+).

This report is a product of the Novarica Research Partners Program, which enables industry sponsors to underwrite surveys on topics of interest. These surveys are conducted using the same methodologies and with the same respect for participant privacy as Novarica's independent surveys and reports.

Underwriting sponsors have input on question design and general characteristics of target respondents only.
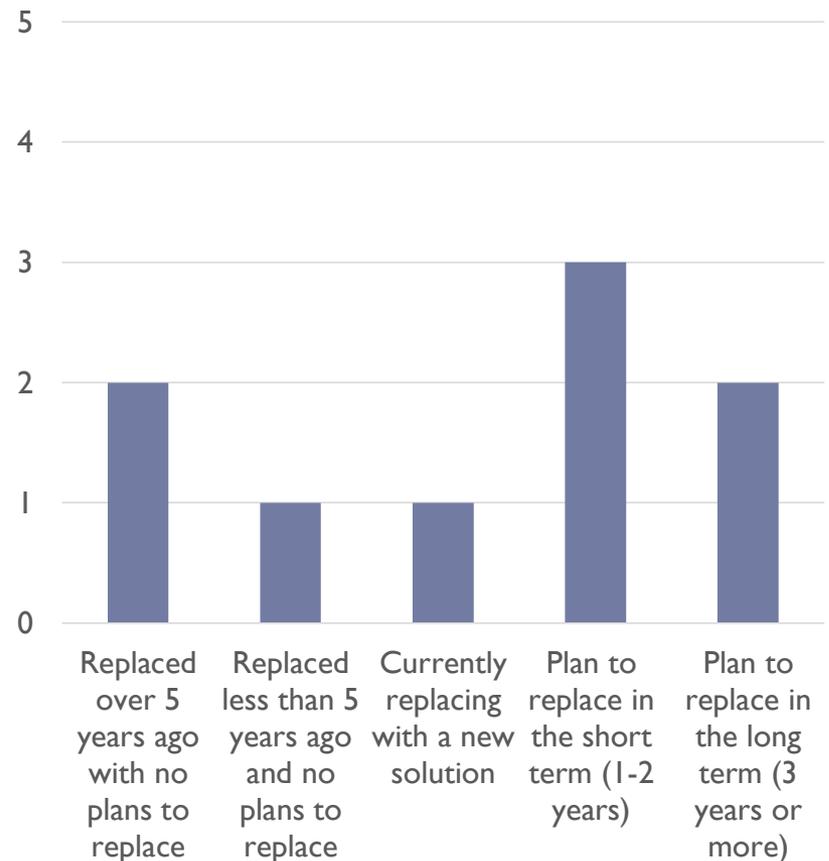
Novarica conducts the survey and analyzes the results independently. Underwriting sponsors do not have draft approval or other ability to influence content of the final report.

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Most insurers expect to replace their illustration system in the next 3 years

▸ Most of the surveyed carriers expect to replace their illustration system in the next 1 to 3+ years.

▸ Of the three that indicated no plans to replace, two are the only ones surveyed that use a vendor solution. All others are using an in-house solution for all or some of their products.

▸ One CIO commented:

I think that our needs will be constantly evolving, … our illustration system needs to be flexible enough to adapt accordingly, and especially if any legislative changes impact our business.

Current State of Illustration Systems

Bar chart with categories: Replaced over 5 years ago with no plans to replace (2), Replaced less than 5 years ago and no plans to replace (1), Currently replacing with a new solution (1), Plan to replace in the short term (1-2 years) (3), Plan to replace in the long term (3 years or more) (2).

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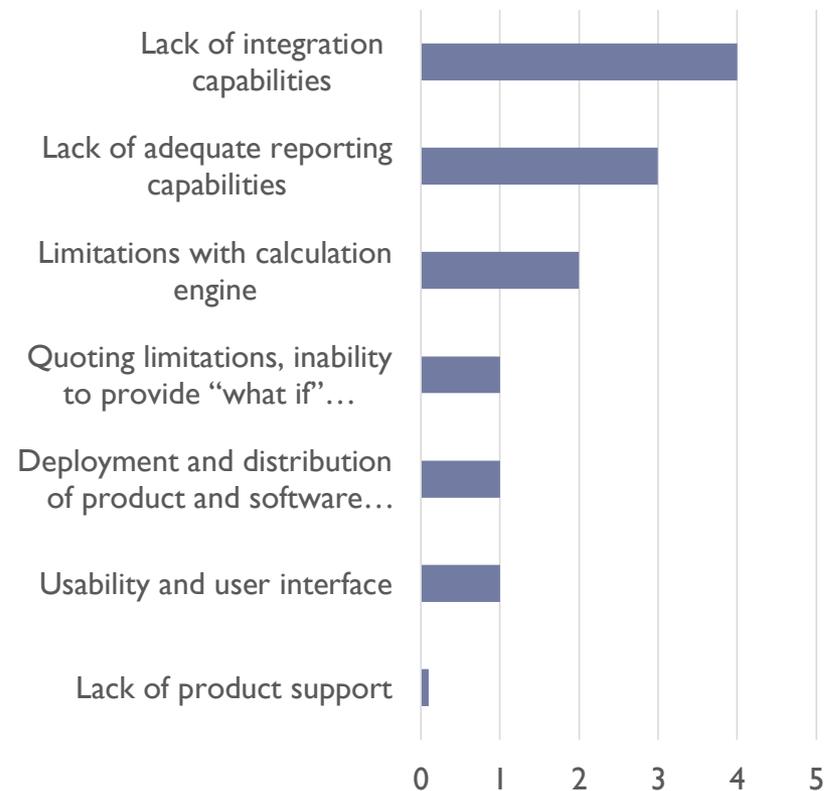
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Lack of adequate reporting and integration capabilities top the list of current limitations

- ▸ The two top limitations were related to integration and reporting.

- ▸ Canadian carriers also considered deployment and distribution of product and software updates as an important limitation.

- ▸ Note that lack of product support scored very low as a limitation, but most carriers are supporting an in-house solution where current products presumably are well supported.

- ▸ Other limitations mentioned were:
  - ▸ Platform incompatibilities
  - ▸ Obsolete technology
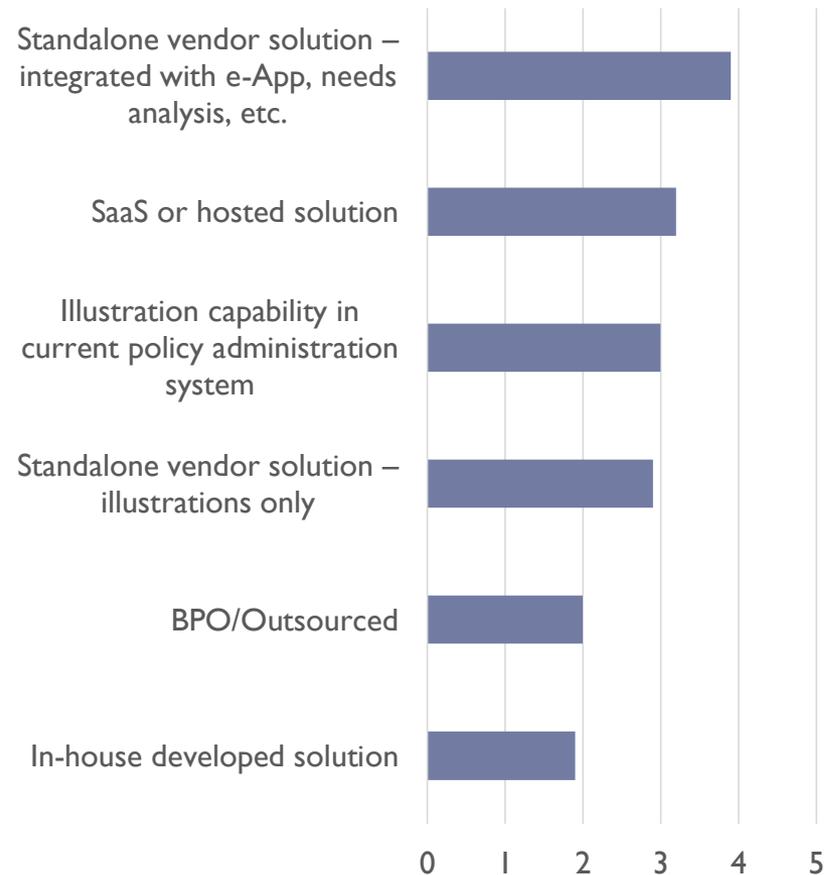
Main Limitations of Current Illustration Systems
# of respondents who rated each as a major limitation

Limitation	Value
Lack of integration capabilities	4
Lack of adequate reporting capabilities	3
Limitations with calculation engine	2
Quoting limitations, inability to provide "what if"…	1
Deployment and distribution of product and software…	1
Usability and user interface	1
Lack of product support	~0

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A standalone solution with integration with sales tools is the most preferred alternative

- ▸ Seven of the ten respondents scored a standalone solution integrated with sales tools as 4 or 5, where 5 was a strong interest in the alternative.

- ▸ A few carriers considered an in-house solution in this category, but the average for others was nearly 0.

- ▸ SaaS or hosted solutions also drew moderate interest, as did illustration capabilities in the current PAS.

- ▸ Over half considered having vendor support as an important factor in maintaining the system.

- ▸ One respondent noted a key consideration:

  It's very important to have the internal control to make sure that we can change the rates as needed

Illustration System Alternatives
0 = no interest, 5 = strong interest

Alternative	Score
Standalone vendor solution – integrated with e-App, needs analysis, etc.	~3.9
SaaS or hosted solution	~3.2
Illustration capability in current policy administration system	~3.0
Standalone vendor solution – illustrations only	~2.9
BPO/Outsourced	~2.0
In-house developed solution	~1.9

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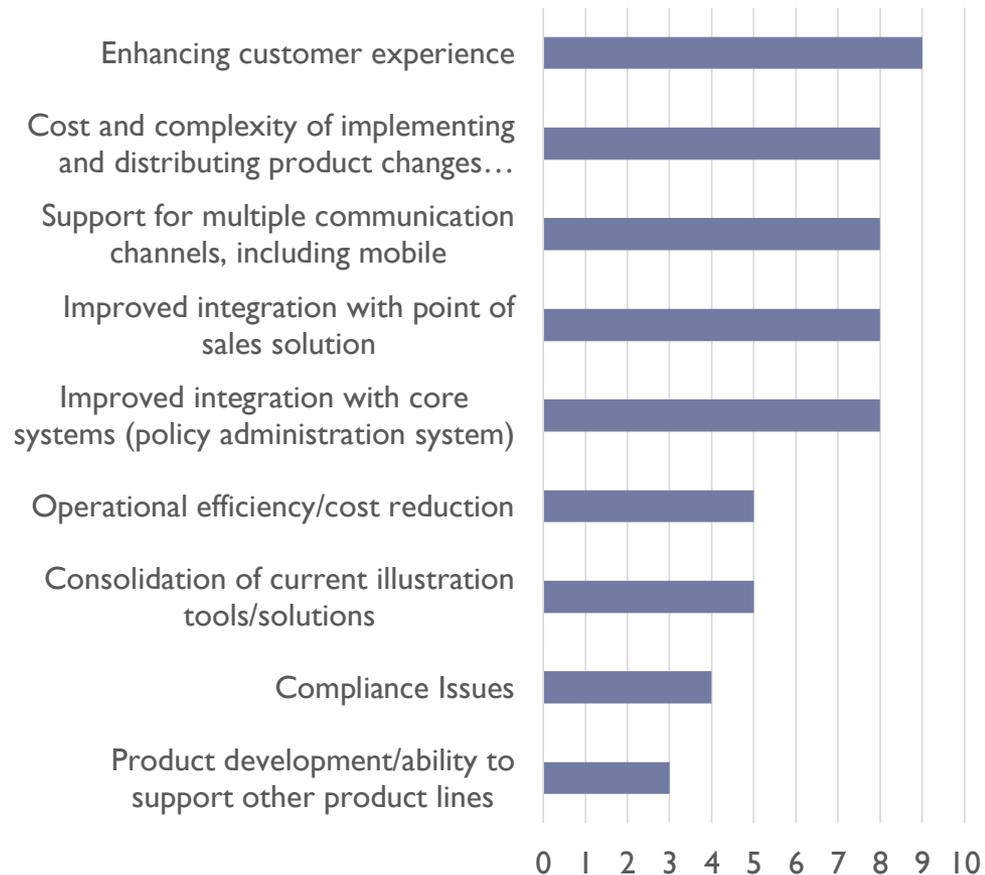
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Customer experience-related issues were the top drivers for illustration system replacement

- ‣ Nine of the ten respondents considered customer experience as very important or critical (score of 4 or 5)

- ‣ Support for multiple communication channels along with integration with other customer-focused tools were also in the group of highly ranked replacement considerations.

- ‣ These areas were ranked higher than compliance and back-office issues such as product development support and operation efficiency considerations.

Illustration System Replacement Drivers
# of respondents who rated each as a major driver

Driver	Value
Enhancing customer experience	9
Cost and complexity of implementing and distributing product changes…	8
Support for multiple communication channels, including mobile	8
Improved integration with point of sales solution	8
Improved integration with core systems (policy administration system)	8
Operational efficiency/cost reduction	5
Consolidation of current illustration tools/solutions	5
Compliance Issues	4
Product development/ability to support other product lines	3

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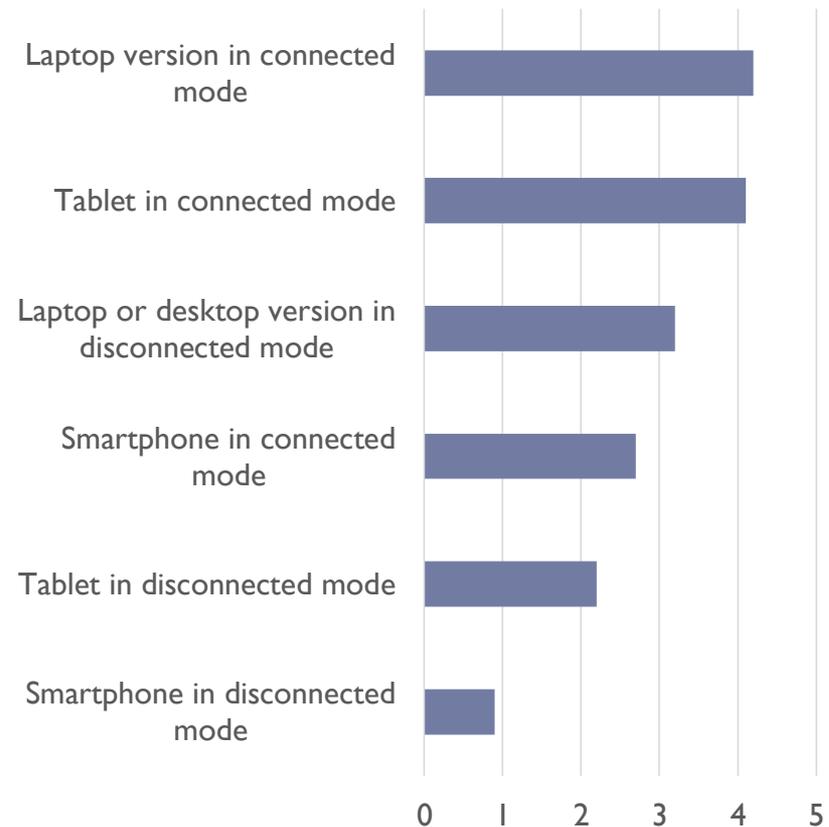SOLUTION-DRIVEN INNOVATION

Mobile priorities are on laptop and tablet solutions in connected mode

- ▸ Insurers had a clear preference for laptop and tablet versions in connected mode.

- ▸ Disconnected mode was still considered very important or critical by half the group for laptop/desktop platforms.

- ▸ Almost all respondents considered iOS, Android and Windows platforms as important for tablet solutions, with a slight preference to iOS.

- ▸ Few carriers had in interest in smartphone deployment.

Illustration System – Mobile Capabilities
0 = not needed, 5 = critically important

| Capability	Rating
Laptop version in connected mode	~4.2
Tablet in connected mode	~4.1
Laptop or desktop version in disconnected mode	~3.2
Smartphone in connected mode	~2.6
Tablet in disconnected mode	~2.2
Smartphone in disconnected mode	~0.8

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Insurer considerations for new illustration solutions focus on usability

▶ Quoting and illustration capabilities along with usability/user interface were ranked highest when considering a new solution – all carriers ranked them as a 4 or 5 (high importance).
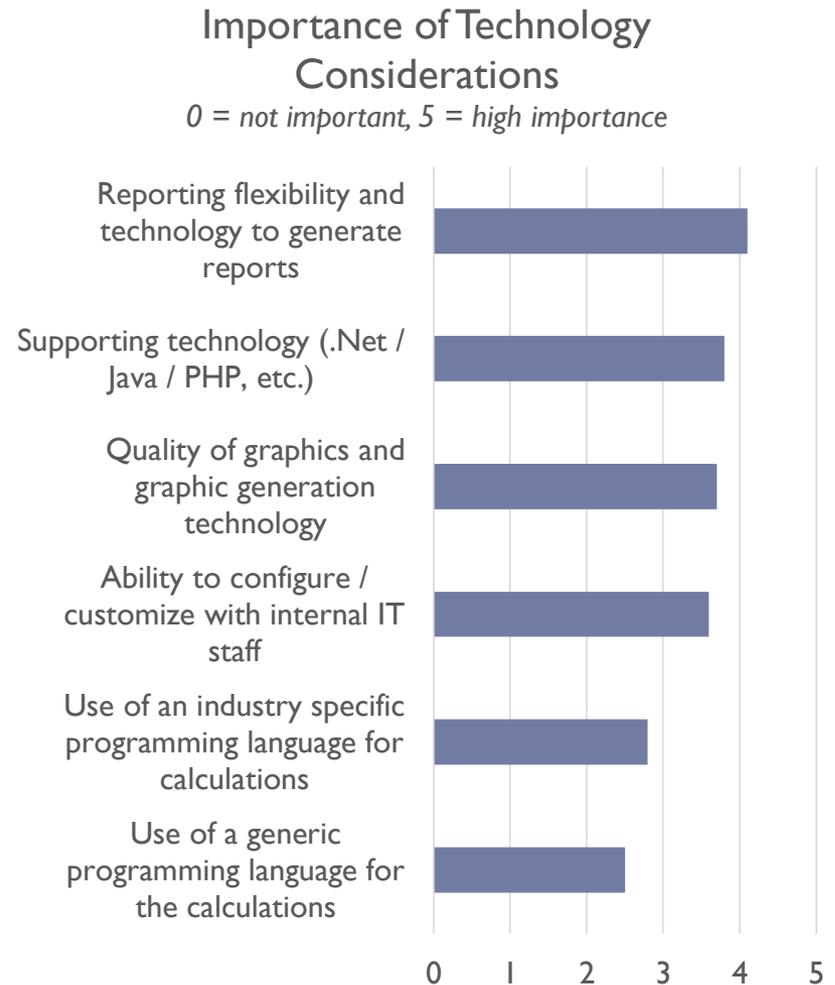
Importance for New Illustration Systems
0 = not important, 5 = high importance
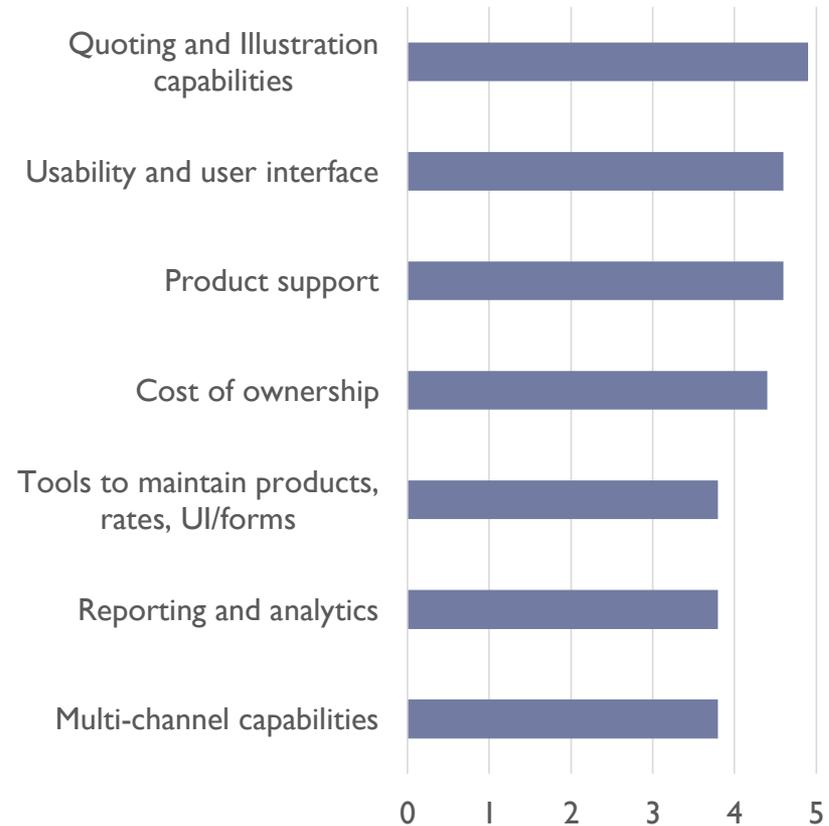
Insurers want solution technology that fixes limitations and improves customer service

- ▶ The top technology consideration was to address reporting, which was also the top limitation mentioned for current systems.

- ▶ Supporting technology using leading frameworks was also important.

- ▶ Also mentioned were graphics and configuration tools, which address ease of use/customer experience and agility for providing better speed-to-market for product changes.

Importance of Technology Considerations
0 = not important, 5 = high importance

Consideration	Rating (0–5)
Reporting flexibility and technology to generate reports	~4.1
Supporting technology (.Net / Java / PHP, etc.)	~3.8
Quality of graphics and graphic generation technology	~3.6
Ability to configure / customize with internal IT staff	~3.6
Use of an industry specific programming language for calculations	~2.8
Use of a generic programming language for the calculations	~2.5

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Illustrations differentiate insurers most for consumers and MGA home staff and agents

▸ Insurers considered illustrations to be a major differentiator (scores of 4 and 5) for consumers and for MGA home staff and agents, and independent agents to a slightly lesser degree.

▸ The scores for these audiences were higher for Canadian insurers. US insurers gave the highest importance to illustrations as a differentiator for independent agents.

Illustrations as a Differentiator by Audience
# of respondents who rated each as a major differentiator

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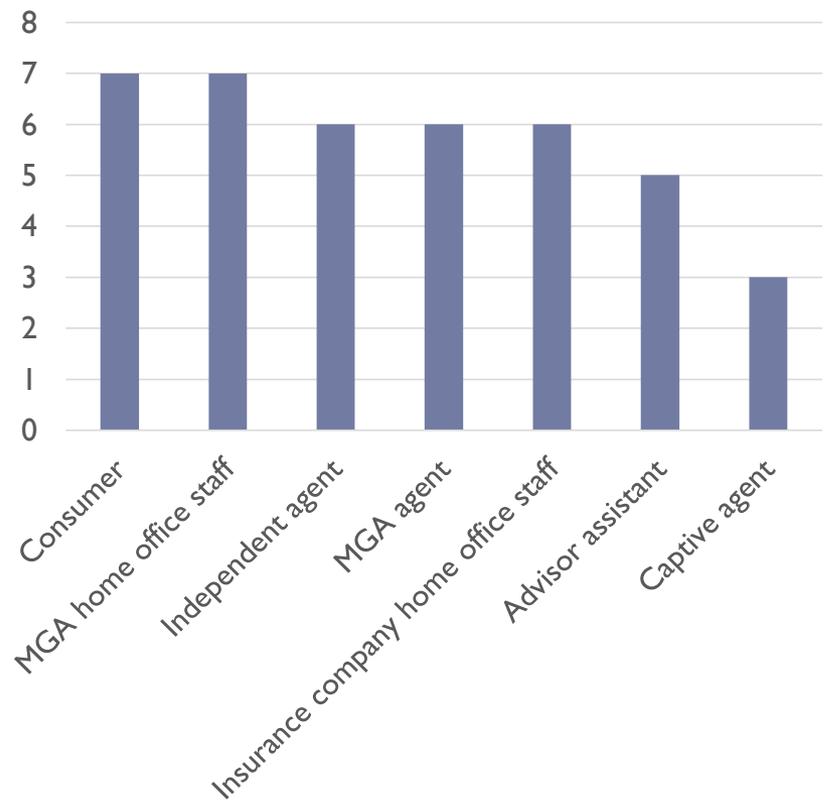
Insurers plan to increase 2016 budgets for illustrations

▸ While half of the insurers expected to spend the same or less on IT overall, over half expected to increase spending on illustrations. In particular, most Canadian insurers surveyed expected a budget increase of 5% or more.

▸ The areas prioritized for increases are more customer-facing than other areas.

of Carriers Expecting an Increase by Budget Area
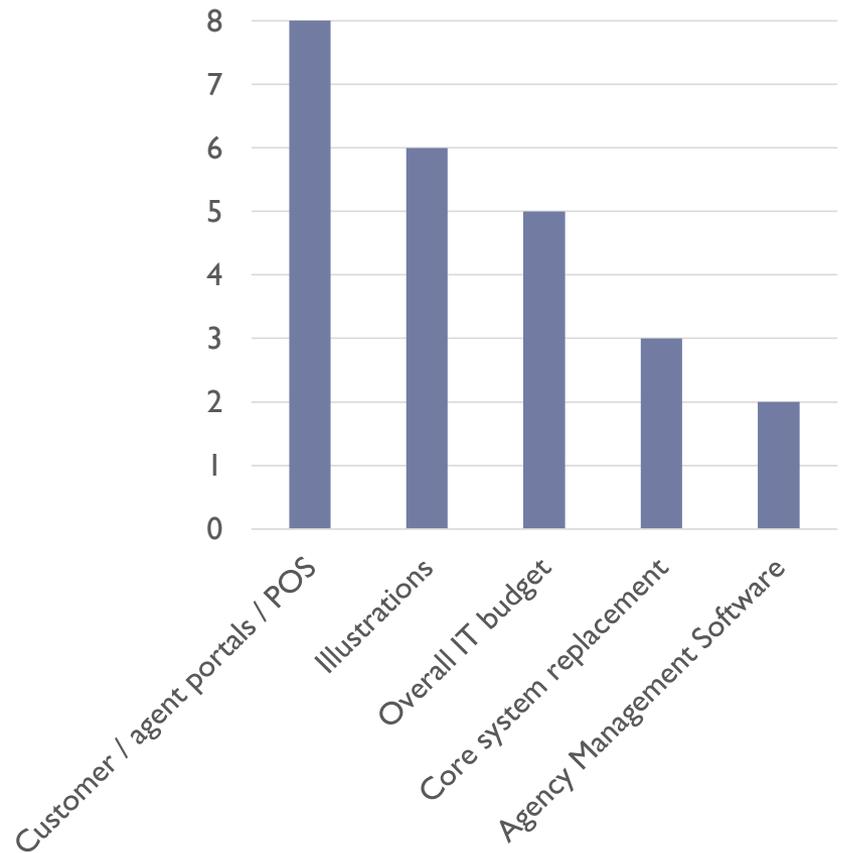
Concluding Thoughts

▸ Insurers are considering replacing in-house developed illustration systems with vendor solutions, giving priority to spending in IT budgets.

▸ To overcome limitations in reporting, integration and quoting capabilities, insurers are prioritizing reporting and integration technology and quoting functionality as key considerations for new systems.

▸ Customer experience was also a key factor: it was the top driver for replacement, and top functional and technology considerations were areas that enhance faster product changes and other speed-to-market and solution usability factors.

▸ Mobility for illustration solutions was focused on laptop/desktops and tablets in connected mode with disconnected mode for laptops is considered important.

▸ As insurers continue to focus on improving customer experience and provide better point of sales tools for distributors, illustrations solutions will be important to 2016 IT budgets and planning.

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About Novarica and EquiSoft

Novarica provides technology strategy research, advisory services, and consulting to more than 80 property/casualty and life/annuity insurers.

Novarica's research covers trends, benchmarks, best practices, case studies, and vendor solutions, drawing on the expertise of its senior team and relationships with nearly 400 insurer CIO members of the Novarica Insurance Technology Research Council.

Through its advisory services, Novarica's expert team becomes an adjunct member of its clients' strategy and planning functions, providing a force-multiplier that facilitates faster, better, more informed decisions.

Novarica's consulting services focus on vendor selection, custom benchmarking, project assurance, and IT strategy, leveraging its proven methodologies, extensive knowledgebase, and broad network to rapidly deliver actionable insights and recommendations.

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EquiSoft develops and markets InsuranceElements, designed to support sales illustrations, quoting, and electronic application, on both web-based and mobile platforms. InsuranceElements allows insurance carriers to become autonomous when it comes to configurations. The software facilitates the quick ramp-up of illustrations products through Accelerators and it uses an ACORD-based data exchange.

Additionally, EquiSoft offers WealthElements, a comprehensive financial needs analysis tool designed to help generate more revenue opportunities.

Also, EquiSoft is Oracle's largest and most experienced integration partner for the Oracle Insurance Policy Administration solution (OIPA). EquiSoft has extensive expertise in processes within new business, underwriting, compensation management, policy service and claims management.

EquiSoft has offices in the United States, Canada, Latin America and South Africa.

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