

Going Global – Product Agility in a Competitive World Market



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What challenges face the insurance industry today? Globalization, increasing competition, changes in regulations, demanding distribution channels and increasing segmentation in markets are constant refrains. And the solution? Over and over, we hear of the need for flexible, innovative products that can be brought to market quickly. Organizational agility is at least as important. The ability to adapt to a dynamic, changing environment is a hallmark of success.

Currently, in most global insurance companies, individual countries and regions create product specifications and develop systems for their own products in their local markets. What if you could easily share the important elements of the specifications for successful products, and their support, with all other countries and regions, without having to worry about the product rules and data that are irrelevant for your market? Imagine if you could use components developed in another country or region without fear of damaging your existing product structure. Imagine if you could leverage system components implemented in one region to integrate with your own infrastructure.

In the demanding world of the big insurers, a flexible, global IT infrastructure that streamlines product development and organizational agility is a critical success factor. Software companies are responding to the demand with product configuration software that helps insurers adapt and react quickly to consumer needs and market demands with relevant profitable products. The software allows insurers to modify existing products and release new versions of products faster and more accurately than ever. It is agile enough to handle all products, including hybrids, while providing one product repository where you can store a “single version of the truth” for each individual product. It’s like a factory approach to insurance product design.

Think of it this way. You’re making cars to sell in several different countries. Each country has different requirements for emissions or technical specifications. Each market has divergent tastes in finishes, varying acceptance of costs, and different demands for the look of the finished product. You need to meet those requirements but contain costs and get the cars out to the market quickly. So you

identify all the common parts of the car and develop a common chassis that you can manufacture and use in all the countries and for all the markets. From there, you can add leather seats and a walnut dashboard for one market, or use specified paints and cloth seats for another. You can adapt the finish, the final design or the specifications easily and meet the market demand at the same time because you are building on a common base.

Let’s transfer this scenario to the insurance world.

You’re a multinational insurance company. Your head office is in Europe, but you have divisions all over the world. You have a variable annuity product designed for the US, but want to launch it in the UK and France, but each country has varying demands for riders, different retirement regulations and legislation specifying what you can charge in expenses against your policy. Product configuration software allows you to work with each of these divisions to strip down the product and develop the common elements that would apply across all three countries – usually about 80% of the product elements. The common elements are housed in a central repository where they can be stored and reused. These elements make up your “common chassis.” Then, country-by-country, features can be added.

To give a specific example for a Variable Annuity Product, the following components would be developed once and then inherited across different product templates:

- n Product Structures and Taxonomies, including investment component structures, and Rider/Benefit structures
- n Fee Structures and calculations, such as expenses and M&E charge
- n Standard Investment Calculations, such as interest calculations, break-point calculations and sales charges

Effective use of enabling technology will be critical as globalization in the insurance industry continues. The trend toward consolidation of insurance company ownership in Europe, for example, is expected to accelerate as Solvency II regulations, which legislate what a company can charge in expenses against their policies, level the playing field and bring the sector closer to a single EU market. The ability to take 13 different product designs and come up with a

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core of one or two product templates that can be customized for different markets is invaluable. The emergence of new markets in countries such as Japan or Brazil is another compelling factor for insurance companies interested in flexible products that can be taken quickly to market. As government pension programs are changing and people move from public to private pension plans, insurance companies that are looking for an edge need to be able to dip into their common product repository and leverage elements that make sense for the emerging market.

Donald Light, Senior Analyst at Celent, a research and consulting firm specializing in IT needs of the global insurance industry says, “The ability to respond agilely to local requirements across many local markets is an increasingly important competitive issue for global and multi-national insurers. Modern product configuration software that enables re-use of design elements gives such insurers a tool to design products to fit each national or local market in which they do business.” Light adds, “The internet provides an easy way to make central product repository accessible to users in any geography, around the clock.”

The experience of other industry sectors underlies the goals of the cross-border factory model in insurance. Specifically, insurers are looking at developing cross-border factories to find answers for key challenges such as

- n Reducing duplication, inefficiency and operational costs – It just makes sense that by consolidating operations across multiple countries or business units, insurance companies can eliminate redundant processes and reduce overall operational costs
- n Creating economies of scale and maximizing straight-through processing – Economies of scale can be realized in IT, but even larger gains can be made in operational areas by maximizing straight-through processing through the integration of product development solutions with other operating systems, including policy administration systems and sales portals.
- n Accelerating time to market – Global insurance companies must address product development challenges to accelerate time to market and they have to accelerate time to market for new and modified products in order to compete. A 2008 report published by Celent showed that growth and competing in a soft market are key business issues for CIOs in large and mid-sized Life insurance companies. Both need to be addressed by looking at product development and how it impacts speed to market.

So it all sounds great, but you're wondering...how do we get to a place where multiple countries work on product templates and agree on the components of a common product chassis? How do we resolve product disagreements between countries? How are product variations accommodated?

Governance is a key factor in the establishment of a product factory to manage country-specific needs such as corporate product direction or distribution differences. A variety of governance options can work, but let's look at a proven model that many "open source" software providers use today. This model assumes that all information is shared across all regions and countries. Updates or new content are posted routinely to the central repository,



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based on agreed-upon standards created by a cross-regional team with a strong executive sponsor. In the case of global insurers, product templates are developed collaboratively with the common Feature Options and Components defined by the group. The individual countries and regions are then able to inherit the “corporate” templates and modify them as needed to satisfy their unique markets, saving time and money.

This collaborative governance model also facilitates product awareness across operating units, so everyone can take advantage of successes, while ensuring that the templates developed meet the generic needs of as many individual countries or regions as possible.

Again, Europe is a prime example of why software that allows operational consolidation is timely. Despite the consolidation of insurance company ownership, many companies have not consolidated operational processes, like product development, because it has seemed too difficult, or the return on investment could not be determined. By working with technology providers who understand global insurance needs, insurers can minimize the disruption of change, increase operational efficiencies and boost speed to market.

Meeting the challenges of today’s marketplace requires innovative thinking, ingenuity and courage to find and use solutions that will put insurers ahead of the market. Whether launching new products or moving into new markets, leveraging existing models and reusing components are proven best practices for accelerating time to market.

Working hand-in-hand with insurance carriers, software providers like Camilion Solutions are helping them up and over the hurdles of today’s marketplace and collaborating with them for a more successful future.

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