



HOW INSURERS CAN CREATE A SUCCESSFUL PRODUCT MANUFACTURING COE

Abstract

Meeting customer demand for innovative and functional products is a key business driver in every domain. Insurance is no exception. Typically, insurers launch fewer products compared to other industries. As insurance becomes increasingly competitive, it is imperative to differentiate themselves through product innovation, unique features, wider coverage, and attractive pricing.

NEED FOR NEW INSURANCE PRODUCTS

Insurance firms often have long-term strategic goals to drive growth and penetrate new markets, which require expanding their product portfolio. It is crucial to take advantage of new trends to enable such growth.

Today's market is more dynamic than ever before. Unpredictable global events such as pandemics and economic crises significantly impact the insurance sector, underscoring the need for products that cover new risks. Further, customer preferences, lifestyles, and demographics are in constant flux, spurring demand for products that match emerging trends. Customers too want their feedback – highlighting areas of improvement – to be incorporated into upgraded offerings.

Similarly, regulatory environments are ever-evolving, calling for revamped products that comply with latest norms and leverage new opportunities. Further, the rise of online insurance and InsurTech partnerships is prompting insurers to re-examine their product portfolio and build products better suited to new distribution channels. Likewise, technological advances such as IoT devices, data analytics, and AI can greatly accelerate the development of innovative insurance offerings such as usage-based policies and personalized coverage.

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CHALLENGES IN INSURANCE PRODUCT DEVELOPMENT

One of the topmost challenges in launching new insurance offerings is the speed of the product development process, which typically takes anywhere between six months to a year depending on system complexity, existing products, underlying architecture, asset reutilization, degree of testing automation, etc.

Phases of Product Development

	 Conceptualization	 Design	 Filing	 Implementation	 Launch
Key Steps	Ideation – product conceptualization	Detailing of product features & parameters	Submissions to regulatory agencies	Coding or configuring in systems	Additional marketing & education
	Research – target markets	Drafting of policy language	Revisions	Testing for quality assurance	Rollout to distribution networks
	Revenue projections & business case	Product documentation		Sales & Operational readiness	Selling

Several friction points emerge during the product development lifecycle that can hinder speedy and quality delivery:



Challenges during product design

When various insurance teams such as marketing, actuarial, finance, and underwriting work in a siloed or decentralized manner, the priorities of product requirements are misaligned. Ineffective product development processes lead to improper workflows, multiple iterations, and effort duplication. In some cases, products are inherently too complex in terms of the policy language, compensation models, riders, and benefits. Additionally, some insurance firms do not have a clear way of documenting information or knowledge gained from prior product development, leading to poor reusability and further rework.



Challenges during product rollout

Typically, IT teams are involved much later in the product development process, raising implementation challenges. There may be inadequate testing environments or automation leading to lengthy testing cycles. Legacy applications such as policy administration systems (PAS) and other ancillary support systems are often inflexible and cannot support agile product development. Moreover, these applications often run on hard-coded business and system rules. There may only be a small and diminishing pool of talent that can understand this legacy landscape and coding languages.

THE WAY FORWARD: HOW TO SET UP A PRODUCT MANUFACTURING COE

A product manufacturing center of excellence (CoE) is a dedicated and specialized unit that focuses solely on efficiently designing, developing, and maintaining insurance products. Such a CoE will enhance the overall product lifecycle management, ensure regulatory compliance, and improve the speed and agility of product development for insurance organizations. Here is a step-by-step guide for insurers to set up their own product manufacturing CoE:

1 Define objectives

Clearly articulate the objectives of the CoE. These may include, for instance, accelerating time to market for new insurance products, ensuring compliance with regulatory standards, or enhancing product quality and reducing defects.

2 Create structure and foster collaboration

Create cross-functional or dedicated teams for aspects such as design, development, testing, and compliance. Build a strong governance framework with processes and structures that streamline decision-making and experienced leaders to oversee the CoE.

3 Invest in developing skills

Identify the necessary skills and competencies for CoE members and provide training programs to enhance technical and domain expertise. Cultivate a culture of continuous learning and innovation.

4 Build the technology infrastructure

Invest in modern technology platforms for product design, development, and testing. Implement tools for version control, collaboration, and project management. Leverage an integrated data dictionary to visualize hierarchies, elements, and dependencies. Implement adaptive PAS to configure changes using business rules with minimal coding.

5 Standardize processes

Define and standardize product development processes. Implement agile methodologies for faster iterations and adaptability. Establish protocols for documentation, version control, and change management.

6 Ensure regulatory compliance

Stay informed about the latest regulatory requirements. Develop a compliance framework to ensure that products meet legal standards. Regularly update teams on regulatory changes.

7 Maintain quality assurance

Enable automation across testing life cycle and not limit automation only to test execution to accelerate time to market. Use AI to generate test cases and increase code coverage. Leverage practices like infrastructure-as-code to build on-demand test environments on demand and virtualization to minimize dependencies on external systems.

8 Focus on measuring and improving performance

Define key performance indicators (KPIs) to measure the CoE's success. Implement monitoring tools to track product performance, and regularly assess and report on KPIs related to time-to-market, product quality, and compliance. Keep stakeholders informed and foster a knowledge-sharing culture across the CoE.

By following this roadmap, insurance firms can establish a strong product manufacturing CoE with rich product development capabilities to ensure swift launches of personalized and compliant products, thereby enhancing customer satisfaction and driving business growth.

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