

Focusing on the future of insurance

How BPS frameworks help insurers modernize and improve the customer experience



Rapid product innovation and development represent a significant opportunity for insurers to offer customers new value and open up new sources of revenue. However, as more new products enter the market, the decades-long life cycle of insurance products raises some interesting questions. What do we do with the old products? How do we manage existing books of business cost-effectively and serve customers well while turning our focus to the future?

For many insurers, business process services (BPS) provide an answer to these questions. Shifting the responsibility for maintaining closed- and open-book policies to a third-party administrator (TPA) can not only be more cost-effective than managing them in-house and unlocking reserves; it can also free the company to focus its energies and resources on new ideas and markets.









With new technologies, BPS frameworks are more efficient and cost-effective and allow easy and faster migration of policies. BPS frameworks improve accuracy in the processing of in-force policies and reduce the burden of regulatory compliance. They also create new opportunities for insurers to build customer loyalty and repeat business and to gain new insights from vast stores of policy data. In addition, today's digital BPS frameworks can largely automate back-office operations and help insurers tackle the persistent issue of replacing older systems with modern, agile applications and virtual infrastructure.

This overview explores how new technologies are influencing BPS frameworks and how those frameworks help insurers focus on the future.

Should we buy or DIY?

Insurers have long employed IT to innovate, build and service new products, so the question of building a custom system or contracting with an external TPA is likely to surface early in the discovery process. New developments in low- or no-code solutions, machine learning and other advances present tempting prospects for keeping things in-house. However, when most insurers make honest assessments of their current IT estates, sketch out the full scope of their projects and calculate the time to value, it becomes clear that no real business case can be made for building the kind of transactional systems of record used in BPS-style engagements.

IN-HOUSE DEVELOPMENT CONSIDERATIONS:

	Regulatory compliance
	Taxation rules, calculations
	Rate changes
	Product configuration aspects
	Defining conversion templates
	Processes and tools
	Building capability for agile software development
	Managing risk of the unknown with API-enabling legacy systems





Building a robust BPS framework is a years-long endeavor. An in-house solution would need to address regulatory compliance, taxation rules, calculations, rate changes and product configuration aspects; define conversion templates, processes and tools; and build the capability for Agile software development. API-enabling legacy systems are fraught with risks due to system age and the lack of documentation and experienced resources.

Low-code technology platforms are valuable, but they are not suitable for the development of complex applications of the type used in BPS solutions. Moreover, using these tools brings an insurer into the realm of modern software product development, including all the standard aspects of building a DevOps culture, hiring technical talent and managing attrition, planning and managing releases, managing updates from the no-code tool vendor, and handling integration aspects with other systems.

Ultimately, building a BPS solution in-house creates yet another technical debt that the company will be responsible for maintaining a few years after the build. As insurers know from current systems, the cost of development would be dwarfed by the maintenance expense over the long term.

Benefits of an external BPS framework

If an in-house solution isn't the answer, what can a digital BPS platform from a third party offer that makes it worth the effort and the investment? There are at least four ways an insurer benefits from choosing an external BPS framework:

 Agility, economy and continuity of a leveraged solution	 Improved customer experience through artificial intelligence/ machine learning
 Automated migration and shorter time to value	 Readily available roadmap to future capabilities

Agility, economy and continuity of a leveraged solution

A BPS solution does not need to be customized to deliver value. In fact, for the role that a BPS solution serves — managing books of business for existing or discontinued products — a leveraged platform built on a cloud architecture is typically the best option and one that makes sense.

There are many benefits to a cloud-based approach. Cloud providers include front-end services for automated intake of data, serverless facilities for faster ramp-up, natural language processing (text-to-speech and speech-to-text, sentiment analysis), and ready-made analytics services. Cloud-native applications built on microservices and sophisticated APIs reduce the time and risks that can accompany integration with existing systems and policy data migration.



Today most of the closed-book and open-book policies at insurers are still housed within monolithic systems.

Many insurers still manage policies on aging mainframe systems. Technologies to modernize these applications and migrate them to cloud are an option insurers are considering to reduce the costs of administering in-force policies. TPAs can help insurers move these policies to modern systems built with microservices and cloud-native software, or they can build an API layer to access functions in the back-end systems. BPS frameworks, connected to mainframe systems through an API, provide modern digital systems of engagement for data and transactions. Leveraging all the available technology options to create such modern systems of engagement will help organizations create a more engaging, real-time customer experience.

Business continuity and the need for reliable, high-performing remote workspace technologies have come to the forefront of business decisions in 2020. A major advantage of modern workspace technologies in a BPS operation is that employees can continue processing wherever they are, from whatever devices are available — all while adhering to security and privacy requirements.

Insurers and TPAs are also increasing their use of multiparty, web-based videoconferencing technologies for staff to work from home. Virtual desktop infrastructure (VDI) technologies bring the secure office desktop experience to staff working in remote locations. And collaboration tools are important for continued teamwork, especially in underwriting and claims teams.

Automated migration and shorter time to value

One of the most labor-intensive and time-consuming aspects of BPS outsourcing is the conversion of policies from the insurer to a TPA's BPS framework-based system. Mismatches in data formats, metadata and ratings, as well as incorrect calculations all lead to the need for humans to validate and correct data before transitioning policies into the new TPA BPS system and to continue reconciliation efforts until processing is cross-checked for accuracy.

Artificial intelligence and machine learning (AI/ML) models can spot anomalies in the source data, leading to data corrections before any manual effort even starts. This has a huge impact on the amount of time and manual effort needed for policy conversion. Systems built on blockchain and distributed ledger technologies can capture the information about policy conversions and also capture key data that explains how AI/ML models make decisions — an important consideration for future regulatory-related audits.

While AI/ML models accelerate migration, data preparation is still important. AI/ML technologies that support BPS automation require data at the right time, in the right place and in the right format. Today's BPS frameworks implement modern extract, transform and load (ETL) technologies to source data from multiple places into a data lake that can be maintained in cloud storage. Data engineering can be applied to help get this data ready for use by AI/ML algorithms, further improving their efficiency and speeding the migration process.



Improved customer experience

Across the insurance BPS value chain, new AI/ML technologies now appearing in BPS frameworks can improve the customer experience in many ways.

Chatbot technologies based on natural language processing, a subfield of AI, are helping customers get quick answers to common questions. Simple tasks such as an address change can be completed without the need to engage customer representatives. When support scenarios are more complicated, such as the need to change a beneficiary, chatbots can be used to collect information and facilitate the handoff to a live agent, providing a smoother and more enjoyable customer experience.

Cloud-based contact center technologies that are able to recognize a customer can provide answers in anticipation of their needs. Rapidly maturing AI/ML technologies can process streaming data from external sources to personalize interactions down to a customer segment of one.

Data-extraction technologies based on deep learning are able to transition TPAs from primarily paper-based operations to totally digital data-based operations. This means the intake of customer data can be accelerated using autofilling forms that are based on what the system knows about each individual customer. In underwriting, machine learning can be leveraged to process external data sources, enabling insurers to implement straight-through processing. Underwriting can be set up to use advanced analytics processing of past claims that accelerates decision making.

Technologies available in external BPS frameworks can improve the medical exam process, tapping into provider electronic health records instead of subjecting customers to manual lab visits. Managing the vendor ecosystem for life insurance policies can be highly automated and less labor intensive using distributed ledger technologies to coordinate the exchange of information. Distribution management — including commissions, licensing and fees payment — can be managed in real time using smart contract features that are part of distributed ledger technologies.

Roadmap to the future

In addition to the benefits an external BPS provides now, leveraging the solution from a TPA offers a roadmap to future capabilities that can't be implemented (easily or at all) in older policy administration systems.

For example, some of the most innovative ideas and exciting solutions are coming today from insurtechs and regulatory technologies (regtechs), small startups that are laser-focused on specific product niches, problems and opportunities in insurance and related industries. When it comes to actually partnering with these companies, it gets complicated. It takes time to determine companies' technical and cultural compatibility, the viability of their technology, and matters of integration, privacy and security.

Instead, innovations developed by insurtechs and regtechs are being integrated by TPAs into their own BPS frameworks. Because TPAs also offer well-articulated mechanisms for integrating partner technologies (e.g., cloud provider services) into the BPS framework, insurers reap the benefits of insurtech and regtech innovations without the vetting, selection and partnering process.

For example, as BPS frameworks evolve, insurers and TPAs can expect to use distributed ledger technology to support audit, compliance and regulatory requirements. This technology provides an immutable database of audit reports that regulators can access in real time, and it creates an audit process that is as simple as checking off items in real time, improving the efficiency of operations.

BPS frameworks enable innovators

In an era when products evolved over years or decades, servicing policies was viewed as a core competency and a competitive differentiator. Growing product development and a shorter product life cycle, however, require insurers to reconsider their priorities. Exceptional customer service experience is no less important, but how it's done is different.

Leveraging the features of today's TPAs and digitally enabled business process solutions offers insurers the most flexible, efficient, forward-looking way to manage existing books of business. Freed from the need to manage older and discontinued products, insurers can accelerate their migration from older solutions, reduce costs and, perhaps most importantly, focus on the things that set them apart from their competitors.

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DXC's experience with robotic process automation and cloud technologies enables us to deliver state-of-the-art solutions at unprecedented price points. And our automated tools for workflow and process management allow us to add new facilities faster, with additional capacity on demand for companies of any size.

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