



Group Insurers' Need for Speed (to Market)

INTRODUCTION

For much of its history, the group insurance industry has been fortunate to have a successful and resilient business model. Lower distribution costs and better risk pooling (from employee groups of varying ages), have provided a strong foundation for profitable growth. But today's group insurance industry remains highly competitive and increasingly commoditized. The need for speed is felt now more than ever. Speed to market for new products of nine months or less and modifications to existing products of two months or less has become a market requirement, with two-thirds of group insurance companies now able to meet these timeframes.¹ Companies that cannot respond efficiently to employer and broker feedback to improve their product offerings risk becoming significantly more commoditized and less profitable than their competitors. In this Insight, we'll examine some methods on how insurers can best develop accelerated speed to market for greater market responsiveness and value creation in today's challenging group insurance market.

SPEED TO MARKET BENEFITS, OBSTACLES, AND SOLUTIONS

One of the primary benefits of speed to market is increased product shelf space with brokers that serve the markets where group insurance companies want to transition and grow. In a market full of fast followers and imitators, it becomes important for group insurance companies to either enjoy the initial pricing, feature, branding, and other advantages of being first to market or to quickly respond to other companies' product innovations. Slow-responding companies experience product commoditization that leads to thinner profit margins and subsequent pressure to write higher volumes of low-margin business to cover operating fixed costs. While it has always been an imperative for insurers, speed to market is often elusive due to talent shortages, operational silos, outdated technology, and data limitations.² Delays often result between a product's conceptualization and its eventual market launch, but achieving speed to market mainly comes down to optimizing processes,³ which the following solutions can facilitate.

A Modular Product Architecture Foundation

With group insurers' willingness to modernize core systems, modular product architecture can serve as the new system's foundation, where functions or individual operations necessary for the overall product purpose are first identified. Standard assemblies are then developed to undertake these individual operations. As a result, product developers can develop new marketing products in a shorter period, via module re-use and rebundling.⁴ This means that new market products can be created quickly by reusing or modifying any of the components, resulting in an increased development speed and a streamlined product portfolio that can be brought to market quickly.

A Streamlined Portfolio

Once insurers establish a modular product architecture foundation, they can more easily recognize opportunities to streamline the product portfolio and eliminate redundancies, resulting in increased operational efficiency.⁵ Once they start to view products through a modular product architecture framework, it will become easier for them to view potential bumps in the product development road and will be that much more adept when it comes to trouble-shooting and resolution.⁶

Earlier IT Involvement

Achieving speed to market remains a team effort. Insurers who involve their IT teams earlier in the design process deliver products faster than those that wait until later stages. Including IT in the early development stages also helps bring perspective around how to best design a product that fits within the current or even future ecosystem and processes. Involving IT from design to actual product deployment is especially key in the group insurance industry, whose many carriers still operate through antiquated legacy systems. However, other industry players have realized the necessity of core system upgrades and have committed significant resources toward technology transformations. Upgrades provide the opportunity to build a foundation for speed to market from the ground up, with modular product architecture that enables the timely development of innovative and market-driven products.

CONCLUSION

The need for speed on getting new products to market or changes to existing products has become a basic requirement for group insurance companies to remain competitive. Insurers that implement product development optimizations for faster speed to market and overall industry responsiveness will gain more production insights and grow more profitably in the long term.

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1 "Speed to Market for Life/Annuity/Benefits Insurers," Aite-Novarica, May 2021, pg. 5

2 "Speed to Market – Part of the Insurance Series: Benefits of a New Policy Administration System: Why Going Live is Not Enough, Deloitte, 2015, pg. 1

3 "Questioning Speed to Market," Aite-Novarica, May 2021

4 Op. Cit., Deloitte, pg. 3

5 Ibid.

6 Ibid.