



CASE STUDY

How Socotra brought agility to Australia's largest insurer

About

The largest general insurance company in Australia and New Zealand has \$8.8 billion (USD) in (GWP) per year, selling insurance under leading brands. A new satellite company was developed in 2019 to serve fast-growing customer segments through an existing portfolio of brands and create an accelerator model to fast-track new and innovative products. To start, this satellite company decided to help Australians protect against the unexpected with a direct-to-consumer auto insurance product, offering next-level simplicity and flexibility.



Introduction

This leader in the general insurance market in Australia and New Zealand envisioned creating a direct-to-consumer auto insurance product—hosted completely in the cloud to drive efficiencies that could be delivered back to customers in the form of lower premiums. This product would be the first across all of Australia to offer tailored auto insurance coverage for a pay-as-you-go monthly subscription fee.

The concept was to start fresh, leaving legacy thinking and systems behind to create a new and operationally efficient end-to-end system that would be customer-centric and allow for quick and continuous product iteration. The technology platform required to run this product would need to be flexible enough to address the needs of specific regions and respond bi-weekly to client or market needs.

Gearing up for transformation by investing in a modern insurance model

The vision was to turn a commodity auto insurance product into a differentiated experience for the 40-and-under market, but the product had to be reshaped with a different cost structure to make it a reality. In order to bring this product to market, the insurer needed to emulate European insurance models that operate on a 10% expense to premium ratio, versus the 22.5% cost to premium ratio of the parent company. Without this radical improvement, the new direct-to-consumer auto insurance product would have failed.

The insurer decided to invest in a digital accelerator model to discover new ways of structuring and managing an auto insurance product that leveraged automated processes and self-service capabilities and allowed policyholders to pay-as-you-go with no annual contract. This accelerator framework would also help the company create a technology platform that could be leveraged for future digital transformation projects.

A team was formed to lead the effort to launch a nimble product that could improve profitability while gaining new direct customers. The target was to sign up 10,000 customers in the first year of operation, 50,000 in year two, and 100,000 in year three. In addition, another auto insurance brand, under the parent company, which had approximately 300,000 customers and \$500 million in GWP, agreed to leverage the new platform for their digital product.

HEADQUARTERS

Sydney, Australia

BUSINESS LINE

Personal Auto Insurance

REVENUE

USD \$8.8 billion

GEOGRAPHICAL PRESENCE

Australia and New Zealand

EMPLOYEES

13,500

"We will reduce our expense base from 20-25% down to 10% and still have room to lower prices and expand our products."

- Head of Digital, Marketing and Technology

Socotra beats out the competition for speed and ease of implementation

When the insurer decided to transform into a digital business, they conducted several two-week and eight-week proofs of concepts with core technology vendors. They ultimately chose Socotra because its technology could support the rapid development of solutions that simplified the insurance buying experience and fostered closer customer-insurer relationships.

In stark contrast to the competitors, Socotra's agile core platform and open APIs provided intuitive configuration and the ability to make complex product changes in minutes. The insurer decided to implement Socotra for their underwriting, billing, platform security, and policy management and integrate the core platform with their CRM and orchestration partners.

Partnering with Socotra, the insurer launched their new digital product in just ten months, whereas deploying a comparable legacy system typically would have taken at least two years. Because of this increased speed-to-market, the insurer could significantly save on implementation costs.

Instead of the typical mainframe team of 40-50 members, the team consisted of two Socotra engineers and 15-20 others from the insurer and PwC. The agile team size saved the insurer approximately \$4.5 million in implementation fees. At the end of implementation, the insurer had launched the first monthly subscription insurance product in Australia.

"Socotra enabled us to create the first national insurance brand in Australia."

- Head of Digital, Marketing and Technology

A new model of customer service built on instant product updates

The carrier releases updates through a model of release sprints to improve their product configuration and digital experience. Socotra's open APIs make complex and frequent product alterations and self-service processes simple. With Socotra, the insurer no longer struggles to create a repeatable, deployable platform that conforms to modern development practices.

For this carrier, the previous legacy solutions took two years to stand up a new product and two years to change an annual policy. However, the insurer can leverage Socotra to quickly address customer needs by making product changes in minutes. This simplicity led to clarity, efficiency, and savings for customers and staff, resulting in a major competitive advantage.

Since the auto insurance product went live, the insurer now delivers bi-weekly updates. In total, more than 300 updates have been delivered, allowing the company to quickly pivot to provide customers with the best experience possible.

"Our rapid release cycle occurs every two weeks and is a key to improving the customer experience... we earned a 25-point improvement in customer NPS, increasing revenue."

- Head of Digital, Marketing and Technology

Looking ahead towards a future of differentiation and innovation

The digital business represents a new and different way to adapt and improve the customer experience and approach the whole product development cycle. Customizations by region, state, or in response to political or health events are easy to implement, providing a considerable differentiator over competitors. For example, Tesla is now considering providing this insurer's auto policies as a simple download when customers purchase a vehicle.

Overall, the insurer's transformation has led to 40-50% gains in operational efficiency, and the lowest average claims costs in Australia. The company was honored with the Celent 2020 Model Insurer Award for Innovation Execution, the most prestigious recognition an insurer can receive. Looking forward, the insurer will leverage the accelerator model to expand additional lines of business. Socotra is proud to have contributed to the insurance model that is setting industry standards and delivering significant results.

"Our new insurance company is now 40-50% more profitable and we approach the whole product life cycle differently—better. [Working with] Socotra was a great success."

- **Head of Digital, Marketing and Technology**

KEY RESULTS

Faster and more affordable implementation

- High-velocity speed-to-market achieved due to Socotra's open APIs, which allowed for easy integration with other partners in the insurer's accelerator model
- \$4.5 million saved on implementation costs with a lean agile team

Greater operational efficiency and cost savings

- \$9.6 million saved from bringing their contact center onshore with 85% fewer staff
- \$42 million in cost savings expected as expense to premium ratio trends towards 10%

Improved customer experiences and accelerated growth

- 300 product updates based on customer feedback achieved since go-live, enabled by Socotra's flexible data model
- 25-point improvement in customer NPS
- 100,000 new customers projected by year three
- Huge potential for growth and savings as other insurance lines of business are moved to the new platform

About Socotra

Socotra is the modern, enterprise-grade core system that enables global insurers to accelerate product development, reduce maintenance costs, and improve customer experiences. Socotra is trusted by insurers to provide them with modern technology to rapidly develop products that better serve their customers and manage their existing book of business. Socotra's flexible, radically open, cloud-native solution unifies underwriting, rating, policy management, claims, billing, reporting, and more. To learn more, visit www.socotra.com.