



## CASE STUDY

# How a 300-year-old insurer unlocked the SME market with Socotra

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The customer in this case study is a leading global (re)insurer and part of a top-10 insurance group that operates in the Lloyd's, United Kingdom, Continental European, and Bermudian markets. With a 300-year record and 1,800 employees in more than 20 locations worldwide, this insurer delivers a quality service for businesses facing the most complex and demanding risks. Their role places them at the forefront of the property & casualty, marine, and reinsurance markets.



## Introduction

This long-standing insurance/reinsurance company was committed to delivering quality products and first-rate services. But their lack of investment in technology had resulted in inefficient manual processes for writing and maintaining policies, which impeded their ability to compete and grow.

## Manual processes and high costs create a barrier to growth

The insurer hired McKinsey to analyze their business and develop a roadmap for protecting existing assets and acquiring new business. The consulting group found that the market for small to medium-sized enterprises (SME) offered an immense opportunity for growth and a healthy expected return on investment.

However, to profitably acquire SME customers, the insurer would need to expand their broker network while reducing their expense to premium ratio from 16% to 10%. Without this reduction, the insurer would have to pass on 80% of the €2 billion market opportunity.

In the past, the insurer relied heavily on broker referrals for organic growth. But the high cost of policy management meant that the insurer couldn't write smaller policies or support brokers who didn't sell at least €100,000 in gross written premiums (GWP) per year. The insurer realized that they simply could not afford to go after the SME market without technology that automated transactions, reduced manual intervention, and improved the broker channel.

### HEADQUARTERS

London, England

### BUSINESS LINE

SME commercial insurance

### GWP

€4 billion

### GEOGRAPHICAL PRESENCE

United Kingdom, France, Belgium, and the Netherlands

### EMPLOYEES

1,800

"Manual quotes were so inefficient we left money on the table."

- Head of Digital Trading



## The search for an affordable, flexible core platform

The insurer decided to invest in a new core platform—first migrating its entire UK business, then a selection of SME business from France, Belgium, and the Netherlands. If the technology could be found to drive down costs and create the necessary operational efficiencies, the insurer also planned to expand into 12 different lines of business, including small commercial fleet, tourism, and other liability products.

The company did proof-of-concept (PoC) projects with four prominent technology providers—all four of which failed. These systems of record couldn't provide the flexibility, control, rapid updates, or total cost of ownership (TCO) the insurer needed. Each system would have been “minimally four times the cost of our targeted budget,” according to the Head of Digital Trading.

The insurer also tried to use a low-code frontend provider as an end-to-end solution, but soon discovered it did not have the sophisticated backend capabilities they needed.

## Getting to market faster with Socotra

The insurer decided to partner with Socotra as their modern core platform from quote to claim. Socotra was the only provider with the ability to launch multiple products in multiple geographies and enable the process automation needed for the insurer to expand their market reach. And when considering TCO, Socotra was the most profitable alternative.

With Socotra, the insurer will:

1. Migrate €175 million of GWP for the European business
2. Grow the European SME business by €80 million GWP
3. Replace the legacy systems supporting the SME business

Traditional insurance platform implementations typically require a large roll-out team of 50-70 people<sup>1</sup> and can last for years. But Socotra empowered the company to launch a new SME product with a 16-person team (5 in-house and 6 consultants) in 18 months—after which new products will be deployed every couple of weeks.

“[The first product was] launched in 18 months—after that we will roll out new products every couple of weeks”

- Digital Product and Solution Manager

## Socotra increases control and streamlines processes for lower costs and greater agility

A significant reason for the accelerated speed of implementation was Socotra's open APIs, which made it easy to integrate multiple broker systems. With Socotra, the insurer is leveraging existing systems to create a straight-through process (STP) that provides quotes and writes policies without human intervention.

This completely automated, end-to-end process drives operational efficiency and reduces costs by cutting down on manual tasks and empowering independent agents to self-administer business. According to the Head of Digital Trading, "Reducing the time our people spend on administrative paperwork could reduce our costs between 70-90%."

Socotra also empowers the insurer to:

- Give underwriters greater control over policy attributes
- Flexibly update product definitions, including pricing, underwriting limits, reserves, and more without re-coding or product overhaul
- Make product changes in near real time (minutes, not months)
- Administer non-stop and referred policies via the same system, giving rating and underwriting a standard starting point
- Support one-click-deploy, which means the insurer can change a policy in a single system, and the underwriting, broker, and agent portals are immediately updated

"We expect a 10% expense to premium ratio (down from 16%) and a fully digitized optimal product."

**- Head of Digital Trading**

## Expanding the broker network to tap into a €2 billion GWP market opportunity

Leveraging Socotra's automation will change the face of business for the insurance company. It will open doors to small business opportunities and brokers with lower GWP while lowering the insurer's cost per policy.

The insurer expects to increase policies going through STP to 80%, which will help drive down the expense to premium ratio from 16% to 10% and save approximately €5 million per year. With the lower cost structure, the insurer will be able to support brokers who do less than €10,000 in GWP per year. The insurer expects to increase the number of brokers they work with from 300 to 500. With an expanded broker network, the company intends to increase their 4% market share and win €8 million in new business annually.

As a top three player in certain niches such as medical liability, decennial liability, and personal indemnity for lawyers, the ability to expand in these SME niche markets, and others, will result in new GWP of €25 million over three years. This growth will support a doubling of the business in three years and doubling again by year five.

## Key results

### Faster implementation with lower costs

- Launched first product in 18 months (instead of 3+ years) and new products will roll out every couple of weeks
- Implementation cost savings of €4-5 million due to minimal personnel requirements (16 project members vs. 50-70 in traditional implementations)

### Increased efficiency

- Expense to premium ratio expected to decrease from 16% to 10%, resulting in approximately €5 million cost savings per year (€80 million of GWP x 6% expense to premium ratio reduction = €4.8 million saved per year)
- 70-90% estimated cost reduction due to automating administrative paperwork

### Expanded broker network

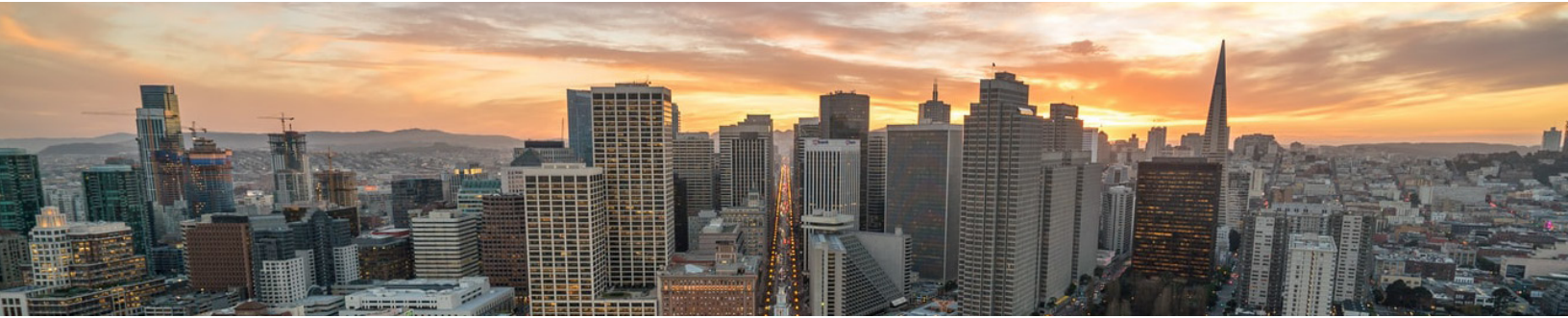
- With the cost savings, the client was able to lower the minimum GWP requirement for brokers from €100,000 to less than €10,000
- Broker network expected to grow from 300 to 500

### Revenue growth and cost savings

- Annualized YoY revenue growth of 27% over the next five years
- €25 million of new GWP over the three years, €50m in five, and €80m in six years from niche SME markets
- €588,000 cost savings from no additional full-time employees needed over the next five years (Calculated based on 10 full-time employees not needed multiplied by a €58,800 annual salary.)

## 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](http://www.socotra.com).



<sup>1</sup>Celent P&C Insurance estimate.