

The Rapid Connection Age of Insurance IT

How Insurers Can Quickly Leverage the Modern Insurance Ecosystem
to Achieve Faster Growth and Better Serve Their Customers

Featuring insights from:



Dan Woods

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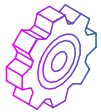
Over the last decade, consumer demands for frictionless, digital transactions have permeated every kind of purchase, so much so that the insurance industry can no longer turn away from it. Most insurance customers expect to be able to easily purchase insurance policies, make payments or changes, or submit a claim within minutes—regardless of whether they complete the process online by themselves or engage the help of a trusted agent.

Modern consumer expectation combined with increased competition means that insurers must innovate faster by launching new products, adding new features, or expanding their distribution channels. Insurers can achieve this by connecting to an ecosystem of point solutions—everything from data providers to chatbots to workflow automation tools. These solutions give insurers the opportunity to differentiate their products, and the ability to provide their customers with in-demand features and capabilities.

However, integrating these point solutions has been challenging—and in some situations, impossible—for insurers that rely on a single core system vendor to provide everything from customer portals to underwriting tools to claims systems. These monolithic systems are typically customized, which makes integration projects long, expensive, and prone to failure. As a result, many insurers suffer from complete vendor lock-in. They aren't able to take advantage of new technology and consequently, can't innovate to meet the demands of today's customers.

Recent technologies can help insurers overcome these challenges. The industry is entering the Rapid Connection Age of Insurance IT, where modern technology—which includes productized software, true cloud, and open APIs—have made real app marketplaces possible. When an insurer can add new point solutions as easily as adding an app on a smartphone, their ability to innovate, add new features, and stay ahead of the competition is revolutionized. They're no longer locked into a single vendor and can accelerate the speed of their product launches, offer better customer experiences, and achieve growth on their own terms.

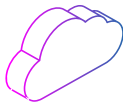
In this ebook, insurers will learn how:



Monolithic and customized software creates massive challenges for insurers when it comes to maintenance, upgrades, and integrations



The Rapid Connection Age of Insurance IT is eliminating single vendor lock-in and empowering insurers to innovate more easily with an ecosystem of new technology



Modern, standardized technology—such as productized software, true cloud, and open APIs—provide the foundation for true app marketplaces, which revolutionize the speed at which insurers can access today's insurance technology ecosystem

The insurance industry is entering the Rapid Connection Age of Insurance IT

In this Rapid Connection Age of Insurance IT, insurers can leverage the full power of the insurtech ecosystem—quickly, easily, and without vendor lock-in—through open APIs and true app marketplaces that provide fast or even instant integrations. With minimal effort to leverage new technologies, insurers can launch innovative products faster, offer customers more delightful experiences, and remain agile amidst rising competition and turbulent markets.

“Rapid connection is necessary because the insurance industry’s complex needs have far outstripped what any single vendor can possibly provide for them,” said Socotra founder and CEO, Dan Woods. “Insurance is complex. The ever-changing variety of insurance products and data sources, mixed with the multitude of distribution channels, from agents to digital to embedded, demands an ecosystem of swappable and continuously improving technology.”

By minimizing the cost and effort required to integrate new technologies, insurers are no longer held hostage by a single vendor to add new features and services or provide upgrades. Instead, they can easily add and switch out an ecosystem of data providers, payment processors, claim systems, automation tools, chatbots, frontend portals, and more. “In such a world, an insurer’s tech stack involves orchestrating multiple vendors and technologies in a fast and seamless manner,” Woods stated.

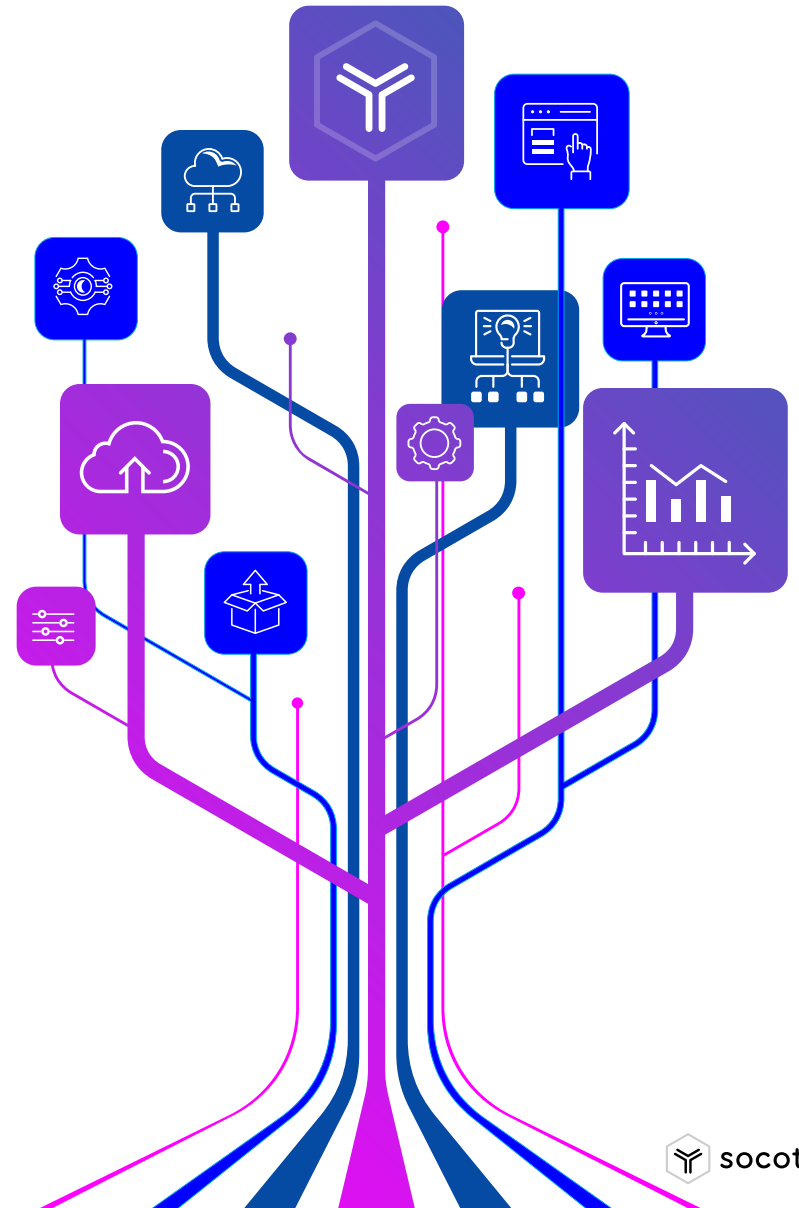
Innovation and customer success will be built on IT ecosystems

Given the rise of insurance technology providers over the last few years, insurers now have the option to leverage a number of point solutions for a variety of use cases. “The insurance industry is experiencing a new evolution,” said Brad Weisberg, Snapshot CEO. “New ideas, technologies, and demands drive the need for innovation across the entire policy lifecycle. Insurers are focused on improving customer experience, lowering costs, and simplifying processes.”

As ecosystems redefine the insurance systems landscape, insurers that leverage a unique combination of point solutions will be the ones to differentiate themselves in the market and scale more effectively. The alternative is to risk watching other insurers take advantage of those capabilities while they sit on the sidelines. “By deploying digital platforms that work together, insurers benefit from the modernization happening in the industry,” said Brad Weisberg, Snapshot CEO. “Insurance technology for the modern world means customers can enjoy an effortless experience interacting with their insurance company, while insurers benefit through improved efficiency and lower total cost of ownership of the platform.”

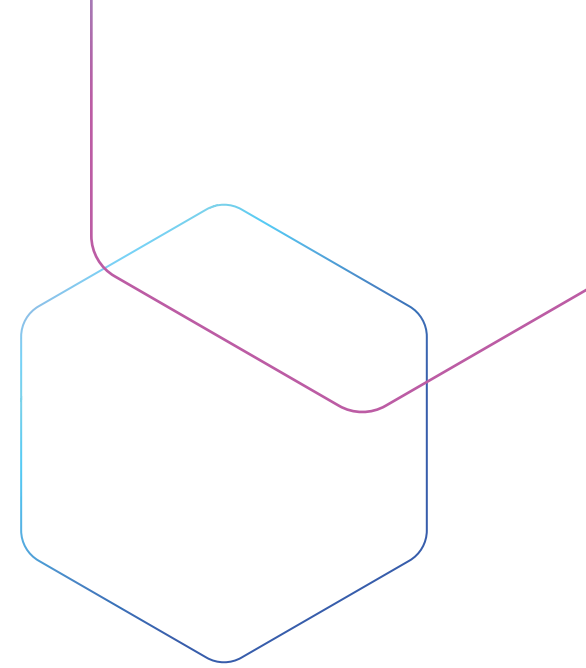
“Insurers today recognize the power of ecosystems and the value they bring,”

said Karlyn Carnahan, head of Celent’s North America insurance practice.



“By leveraging technology and data, insurers can streamline their processes and create a seamless experience for both their customers and business partners. It’s about delivering value at every touchpoint—anticipating and meeting the evolving needs of customers. This not only leads to increased satisfaction, but also creates new opportunities for revenue growth. Those who do so will not only earn the loyalty of their customers, but create a sustainable business model for years to come.”

Weisberg adds, “This is an exciting time in the insurance industry. Change is fast-paced and constant, with shifting customer demands and regulatory requirements driving the need for innovation. Reimagining claims through the power of robust integrations is the next evolution in connected ecosystems. Insurers and their customers are experiencing the benefits of strong partnerships between platform providers that allow for smart combinations of solutions.”



The biggest barrier to ecosystem innovation: Monolithic and customized software

Core systems are the foundation for the ecosystem. For decades, insurers have made huge investments of time, money, and staffing into customizing monolithic core systems to fit the specific needs of their lines of business and customers. These monolithic systems were developed as a single, self-contained unit that tightly integrated all features and components, such as policy administration, rating, underwriting, billing, claims. This approach, however, has created many challenges for insurers, including:



Slow development timelines and greater risk of failure

Developing and deploying a monolithic system is extremely time-consuming, as any changes to the codebase may require a full rebuild and deployment of the entire system. A failure in any single component can bring down the entire system, leading to long and potentially catastrophic downtime. Updating any component requires an extensive testing process to ensure that other parts of the system are not affected.



Complex, costly, and resource-intensive maintenance

As the codebase for a monolithic system grows larger and more complex, it becomes drastically more expensive to maintain and update. Oftentimes, the original implementing vendor is the only one that has the technical knowledge to perform services, because there is no clear documentation (typically by design).



Lack of agility and scalability

Insurers with monolithic core platforms often struggle to adapt to changing business environments, because of the difficulty in adding new features or technologies, updating existing components, or increasing the system's capacity. The tight coupling between components makes it challenging to replace or upgrade individual components without affecting the entire system.



Inability to benefit from new technology

All of the problems above lead to complete vendor lock-in, as insurers are limited to using the vendor's proprietary technologies and tools. For example, if an insurer chooses a monolithic system for policy administration, they are often locked into using the same system for billing and claims. It is extremely difficult for insurers to access or integrate new and emerging technologies that can improve their insurance products and customer experiences. As a result, an insurer with a monolithic system may miss out on using a best-in-class, modern claims management system or an AI-based underwriting tool that can not only improve customer experience, but also lower loss ratios and underwriter expenses. This vendor lock-in will lead to companies being stuck with outdated technologies that hinder their ability to innovate and stay competitive.

To overcome these problems, modern software development approaches rely on a microservices architecture. This architecture breaks down large systems into smaller, independent components that can be developed, tested, and deployed separately. This provides greater flexibility, scalability, and resilience, which means insurers can ultimately deploy a more comprehensive end-to end suite of functionality.

The shift towards productization in the Rapid Connection Age

Historically, insurers have been hesitant to work with too many IT vendors because it introduced greater integration risk. Woods states, "If you work with 20 vendors instead of one, that means there are 19 more opportunities for a vendor to let you down and derail your entire project. This risk only exists, however, when the vendor is offering a half-finished product that requires customization. And in a world like that, it's very scary to have a deployment involving 20 vendors because it compounds the risk of failure."

"In the Rapid Connection Age, insurers can simply try the app, and switch to another if it doesn't meet their needs. Buying 20 off-the-shelf, easily swappable apps is far less risky than buying an unfinished monolith needing customization. Companies like Salesforce and Zoom have shown us the power of extending functionality via apps, vs continually growing the monolith."

The fact is that enterprise software requires integrations. These integrations need to be created and maintained in such a way that maintenance does not become unnecessarily complex, time-consuming, and expensive. Woods continues, "To be part of a connected ecosystem, for insurance or any industry, the first step is to keep everyone on the latest version of a productized software platform. The second step is publishing backwards-compatible APIs, which ensures a connector written once, can be maintained and reused for all insurers for all time. Only then are off-the-shelf connectors possible, and these are the keys to rapid connection."

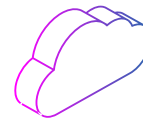
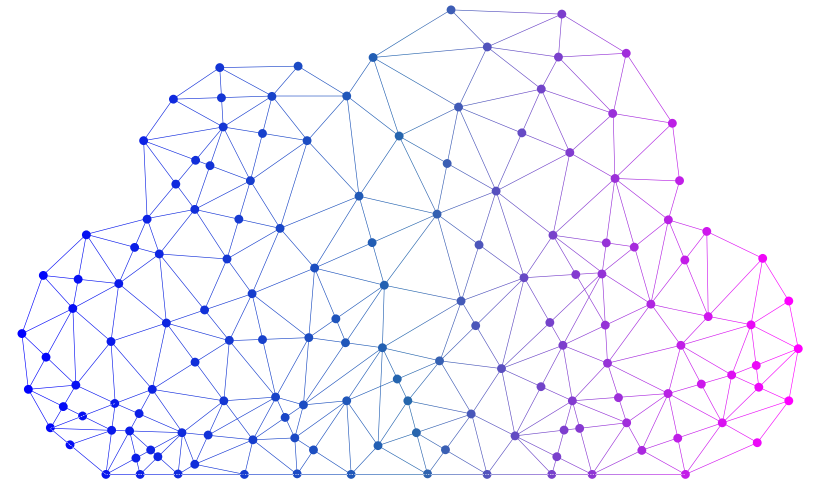
Modern technology means productized software, true cloud, and open APIs

The Rapid Connection Age of Insurance IT relies on modern technology: productized software, true cloud, and open APIs



Productized software

Productized software means that every user gets the same software with the exact same features. Instead of building a bespoke platform from the ground up, insurers with productized software should be able to easily configure the platform to fit their specific needs. “How can you tell if a platform is productized and truly off-the-shelf?” Woods asked. “Ask the vendor for an evaluation license. If you can get a [full evaluation license](#) immediately, that’s off the shelf. If they need five weeks to configure a test environment, something custom is happening.”



True cloud

While many core platform vendors tout their platforms as being cloud-native, in reality, they are just hosting on-premise software on a cloud server. This type of software doesn’t provide the speed, scalability, and seamless upgrades that [true cloud-native software](#) offers. Woods explains, “True cloud is when the vendor doesn’t have to schedule the upgrades with you—they just happen. Gmail has never scheduled an upgrade with me.”



API

Open APIs

When insurers want to integrate custom software, they must create point-to-point integrations, which are brittle and prone to failure. If either technology platform makes an upgrade, the integration inevitably breaks, and it's difficult to hold either vendor accountable.

However, APIs (Application Program Interfaces) provide a standard method to integrate software that is fast to implement and more resilient over the long run. Modern software providers like [Salesforce](#), [Twilio](#), and [AWS](#) offer open APIs, which means their APIs are publicly documented on the company's website. When companies offer open APIs, any developer can understand how to connect the software and access its data in a standardized and secure way.

While open APIs are common in most industries, it is rare in the insurance technology industry, especially among core system providers. However, insurers that want to leverage an ecosystem of next generation insurance technology must partner with a [core platform provider with open APIs](#). "Open APIs are so much more than just a convenience for engineers," Woods explains. "It's the company going on record, saying 'here I am and here's what I do.' It's like a contract. If the software performs as documented, you're getting what you paid for. If it doesn't, file a bug."

The Rapid Connection Age of Insurance

IT is built on app marketplaces

Given the number of core platform providers that publicize their marketplaces of third-party technologies, it's clear how important the Rapid Connection Age is to insurers. Yet, the majority of these vendors fail to offer real marketplaces with instant integrations. At best, they're providing a custom point-to-point integration or a zip file containing code that an engineer must parse through, rework, and maintain going forward.

On the other hand, [a true app marketplace](#) empowers insurers to connect their core system to third-party technologies through a click-to-run experience without any custom coding. Having such easy and quick access to a wide range of apps eliminates integration risks and costs, so that insurers can break free of single vendor lock-in.

If open APIs reduce integration timelines from months to weeks, App MarketPlaces reduce them to minutes. Insurers can easily swap out apps within a marketplace, stay updated, and meet changing needs with the latest technologies.

Every piece of software continually upgrades and improves without downtime. And all the effort insurers currently spend on maintaining redundant code is instead spent creating stronger differentiators that can benefit end customers.



"If you take the smartphone example, you can replace all of the apps over time to build the phone you want," said Woods

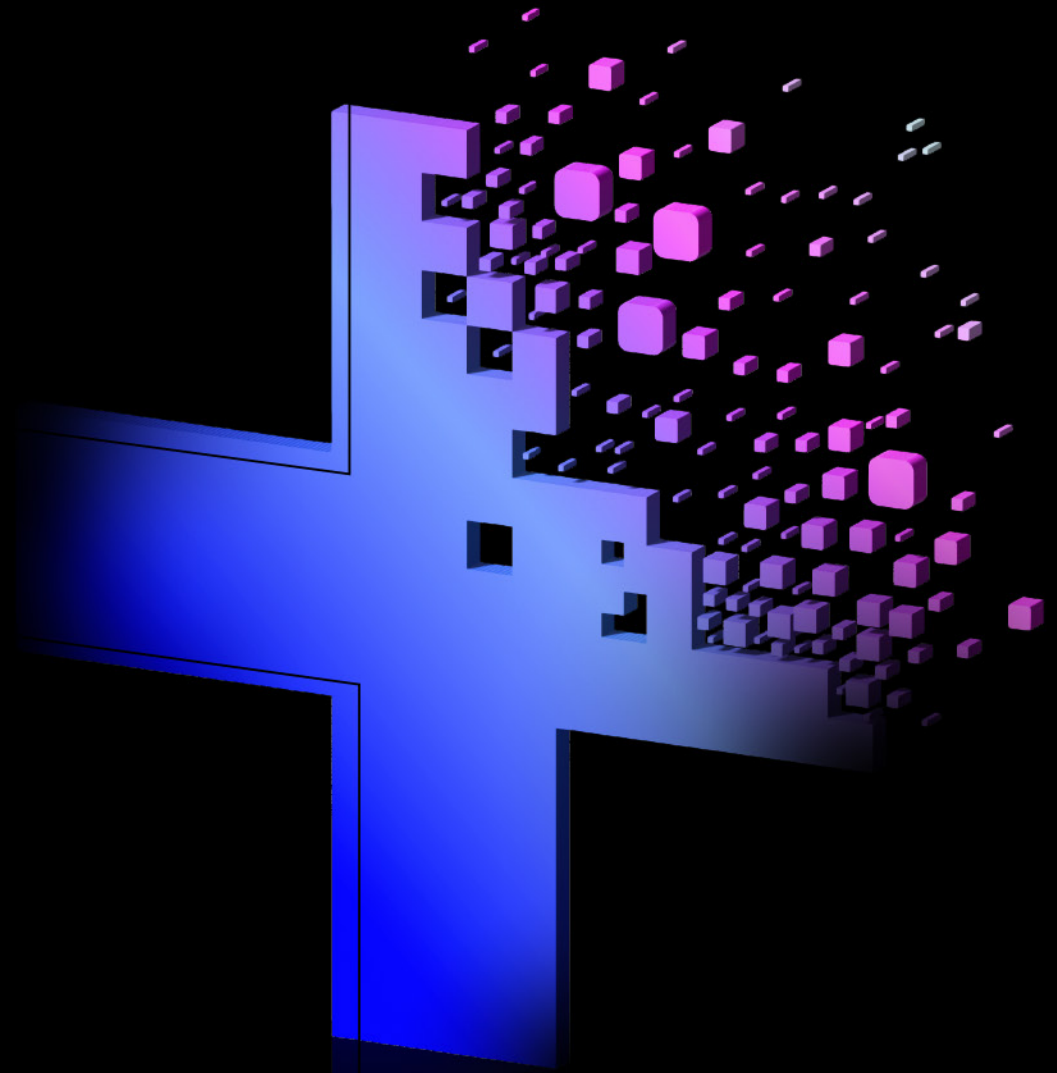
"The phone will always work, and over time, you have literally replaced every app to get the products you want. An agile platform functions in the same way. If no one vendor is more than **20% of your solution** and something goes wrong, you can easily replace it, and **80% of your solution** is still good. And then you will have providers that are much smaller components of your solution, say three or five percent, and you can swap those out much more readily."

The Rapid Connection Age of Insurance IT is now available to every insurer. By harnessing the power of modern and standardized technology, any insurer can launch diverse products faster, deliver a better customer experience, remain competitive, and achieve growth.

The Rapid Connection Age in Action: Introducing Socotra CorePlus

Built for the Rapid Connection Age of Insurance IT, Socotra CorePlus™ is a line of complete insurance IT solutions designed to decrease risk and costs, while increasing speed-to-market and standardization. The Socotra CorePlus solutions for [Homeowners](#) and [Personal Auto](#) build upon Socotra's successful track record in these lines of business, and provide insurers with flexible, market-ready features that accelerate product launches, improve efficiency, and power innovation.

Insurers today consistently want to leverage [up to 15 point solutions](#) to drive value for different use cases across their organizations. However, most core systems stifle this progress due to long and expensive integration projects that pose a high risk of failure. With Socotra CorePlus, insurers get [Socotra Connected Core](#), seamlessly pre-integrated with industry-leading software and data providers, including Mendix, Snapsheet, and Stripe. Socotra CorePlus also empowers insurers to future-proof their tech stack by quickly and easily swapping out third-party technology providers via [Socotra App MarketPlace](#).



Meet the Contributors



Dan Woods

Founder and CEO, Socotra

Dan Woods is the founder and CEO of Socotra, a provider of advanced system software for the insurance industry, which he started in 2014. Dan's mission is to revolutionize insurance IT by bringing in the technology advances and approaches already proven and prevalent in other industries. He believes in the power of data models, APIs, and ecosystems to revolutionize any data-driven industry. Prior to Socotra, Dan was an investor at Formation 8 Partners (now 8VC), where he specialized in data platforms and smart enterprise software. Prior to that, Dan was an early member of the core engineering team at Palantir, and later transitioned to run partnerships, Palantir cloud, and several deployments. He holds a MS in Computer Science from Stanford University, and is published in artificial intelligence.



Brad Weisberg

Founder and CEO, Screenshot

Brad Weisberg is the Founder, Chief Executive Officer, and Chairman of the Board of Screenshot. Brad has led Screenshot through multiple periods of hypergrowth since its inception in 2011. He is passionate about solving complex problems using streamlined technical platforms that delight customers. Brad directs all aspects of development and operations, leading by example through a model of servant leadership. His work with Screenshot has been featured in Forbes, The Wall Street Journal, and Fast Company. Brad has a bachelor's degree in marketing and advertising from Indiana University Bloomington. He is a guest lecturer at Northwestern University.



Karlyn Carnahan

Head of Insurance, North America, Celent

Karlyn Carnahan leads Property & Casualty research across the Americas. She focuses on issues related to digital transformation. She's particularly interested in shifting distribution channels, new ways of enabling and managing channels, underwriting transformation and new products, improving claims, and transforming the customer experience. Karlyn is the lead analyst for questions related to distribution management, underwriting and claims, core systems, and operational excellence.