



White Paper

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# Overcome Digital Transformation Distress

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OpenCore: Stable, flexible and agile approach to digital transformation

Digital has become one of the most over-loaded words in the English language, meaning very different things in different contexts. Insurers have been digital since the first policy was recorded on magnetic drum or tape in the 1960s. Oddly enough, insurers now lag considerably behind other industries in their digital maturity and stage of adoption.

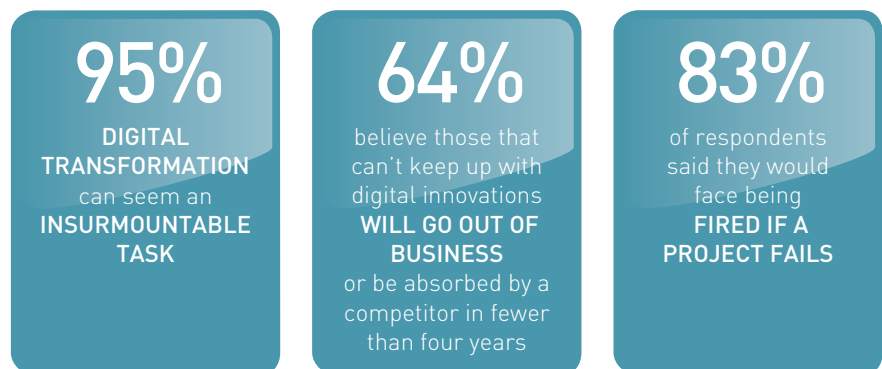
### Why insurers lag in digital strategy

So many factors go into understanding why insurers trail in developing and implementing a modern digital strategy. At this point, most insurers have developed a digital footprint and deliver varying levels of engagement with their customers and partners, including some direct access to policy information and service. The transactional nature of some Personal and Commercial (P&C) lines make this process more straightforward. However, for Life, Accident and Health (LA&H) carriers, especially those providing Group Employee Benefits, it's a more complex problem with additional parties involved and customization of product and service at the plan level, requiring more detailed policy information and flexibility requirements in service options. Combined with the legacy technology platforms most carriers still employ, this makes direct self-service options more difficult to implement requiring more manual intervention which ultimately erodes customer satisfaction. Ironically, the prevalent underlying key stumbling block to implementing a next generation digital strategy is insurers' digital legacy.

### Digital Transformation Distress

According to McKinsey, Insurtechs are focusing more on P&C than LA&H but there is significant activity in distribution and new business-related activities, which falls squarely in the digital arena<sup>1</sup>. In a recent multi-country study by Couchbase<sup>2</sup> across multiple industries including insurance, 64% of respondents say if they can't keep up with digital innovation they will go out of business or be absorbed; 95% say digital transformation seems an insurmountable task and 83% felt they would face being fired if such a project failed.

Ironically, the prevalent underlying key stumbling block to implementing a next generation digital strategy is insurers' digital legacy.



Source: Couchbase

Despite the challenges, LA&H insurers are putting more comprehensive digital strategies into place and technology vendors servicing this market must think beyond providing basic digital engagement capabilities to supporting a more complete vision of digitally-enabled business.

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## Digital Engagement and Flexibility

Leading SaaS core insurance system providers believe insurance business leaders need a platform that can provide a level of digital engagement and service equal to their customers' expectations for all service providers. To enable this, there must be an underlying OpenCore system that can ensure accurate, open and flexible product development, deployment and service to serve a rapidly changing market.

- Digital Engagement is a critical element of a complete strategy and the most visible. In the Group and Employee Benefits market, there are multiple stakeholders in the value chain with differing roles and digital engagement should be role-based, whether it is transactional or purely informational.
- Flexibility is required within the business model. The chain of carrier(s), brokers, benefit administration companies (ben admin), enrollment vendors, employers, and employees must provide rapid and accurate straight through processing<sup>3</sup> and be flexible enough to change out any given player in the chain, based on the deal.

## Legacy systems are proving inadequate

The traditional approach to support these two key needs of the value chain is either to provide an end-to-end portal solution driven from the core system architecture or a standardized data feed interface between the core system and the next link in the value chain. The problem with these two approaches is that they are inadequate. Why?

The first approach of end-to-end portal solution is not feasible given current and future insurance market directions around multi-carrier plans and value-added services from benefit admin providers. The standardized data feed interface can work but invariably leads to a great deal of custom IT interface work, even when employing industry standards like the emerging LIMRA-backed Workplace Benefits standard. This proves especially difficult when there are broad systems of engagement in play from companies like Salesforce.com that are used in call centers and broad community portals.

## An Engagement Model that Works

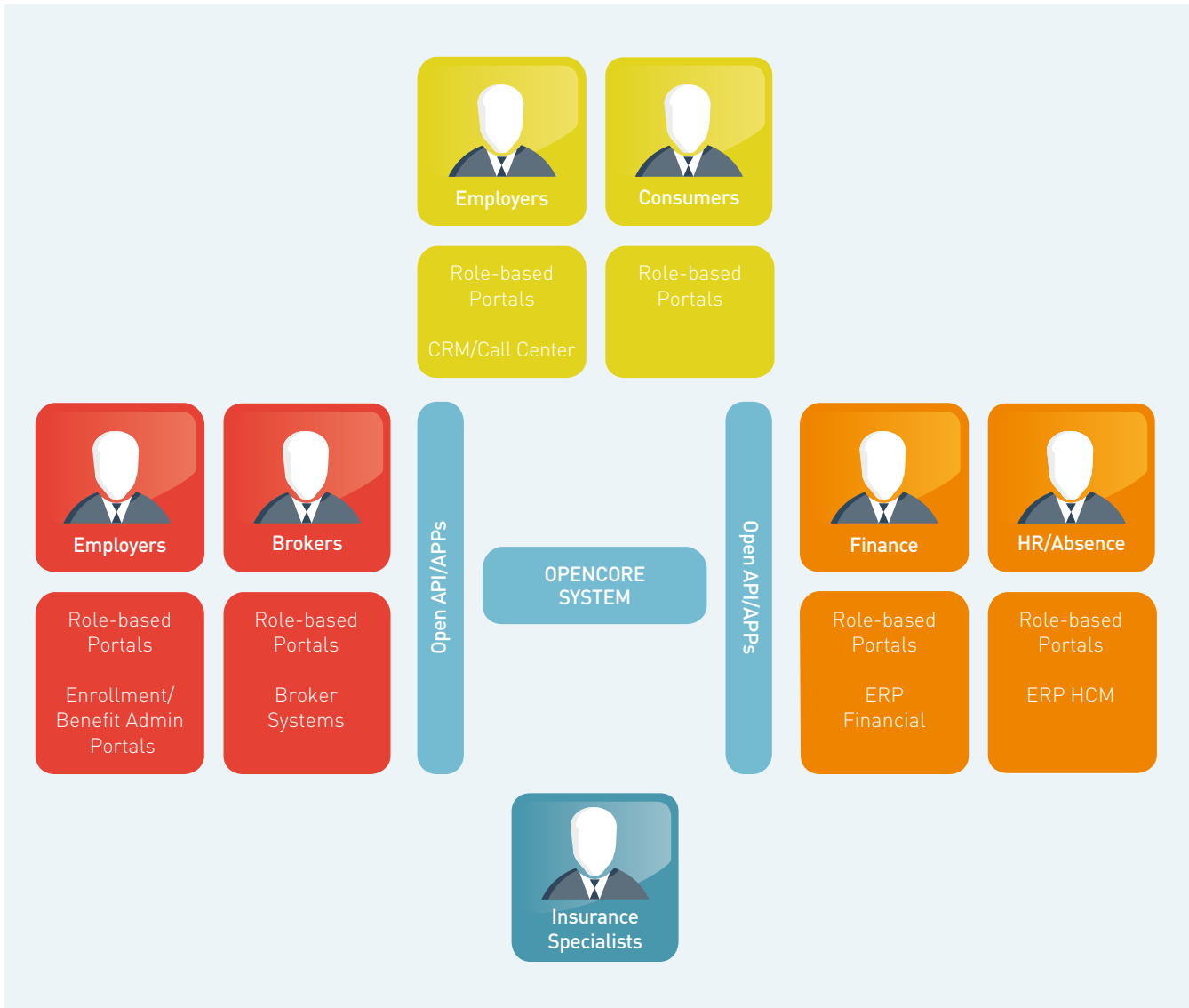
Leading insurance technology vendors are proving that OpenCore is the best approach applying a role-based scenario to defining digital engagement requirements for the core system. This tactic provides a layered architecture to suit those roles and the engagement path needed for the particular customer. The way that might evolve could include a large carrier that uses a system of engagement for their customer service reps (CSR) and works with a broker, enrollment vendor and larger employer in the following scenarios:

- The insurance specialist who installs and manages the details of a case works directly with the core system interface, designed for experts.
- The CSR who works for the carrier and answers basic questions about the case for the employer or employee and who interacts with the system of engagement, which is tied to the core system in real-time via an app written by the core system vendor specifically for that platform.
- The broker who does case and member inquiries and updates through a broker portal provided by the carrier with role-based access into the core system.

- The enrollment vendor uses industry standard real time APIs and batch file transfers to exchange data directly with the carrier's core system. The larger employer exchanges transactions through API or data feed to the HCM system and has direct access to the carrier's core system through a role-based portal designed for the exchange process.
- The employee has access to the employers Human Capital Management (HCM) employee portal and the option to go directly to the carrier for deeper interactions such as claims or absences, or portability issues. The interaction with the carrier is via portal, mobile, voice or SMS depending on the employee's preference or circumstance.

Insurance technology companies that provide a layered digital engagement architecture, with core systems capabilities supporting role-based APIs sets that support both digital engagement applications and are available for customers and partner DIY projects, enables the insurer to achieve the most flexible, stable and modern digital experience.

### Role-based Engagement Layered Architecture



OpenCore systems are designed to be part of a digital engagement strategy – not just by providing APIs to existing processes – but by designing a system that assumes transactions and data access will occur in multiple engagement patterns, based on role and access methods that may not even be fully defined at the time the system is deployed.

## OpenCore and The Digital Business Process Model

The ability to provide timely information and perform real-time transactions is a key component of providing a good digital experience. Almost all insurers have gotten past the early days of web service where a customer filled out a form populated by yesterday's data, which when updated, generated an email to the CSR to process the transaction. Many insurers still suffer excruciating update lag time due to the legacy system that can't transact in real time. Or even more concerning, perhaps the legacy system has been deprecated to match a legacy batch business process the insurer doesn't want to change.

It's important to look at the entire lifecycle of a process or transaction to avoid creating a potentially great user experience that is constrained by a legacy internal service model. Many core systems available today suffer from either the constraints of their own architecture or those imposed by the user base that have not considered the entire end-to-end digital business process model, which assume all data is current, all transactions are real-time and straight through processing is the rule, not the exception.

OpenCore systems are designed to be part of a digital engagement strategy – not just by providing APIs to existing processes – but by designing a system that assumes transactions and data access will occur in multiple engagement patterns, based on role and access methods that may not even be fully defined at the time the system is deployed. This is critically important as digital engagement channels and tools continue to evolve much faster than insurance core systems as they are driven by a much larger business/consumer market demand.

### The right digital engagement model

As complex as the digital engagement landscape has become, the basic but critical components of finding the right partner to enable a digital transformation should include:

- Stable, consistent, and resilient OpenCore products
- Interlocking Digital Engagement products built on a role-based model
- Access to the OpenCore APIs to ensure the flexibility required to meet specific engagement requirements



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Chuck Johnston has extensive experience spanning corporate insurance environments, consulting and research. He is a senior insurance executive with 30 plus years of business, technology and management experience in maximizing the value of technology and process improvement. Chuck is a recognized industry expert in applying a broad array of new business and technology concepts to the unique processes, architectures and technologies of the insurance and financial services industry.

Connect with Chuck Johnston via email or LinkedIn to have a more in-depth conversation about your digital transformation strategy.

### About FINEOS Corporation

FINEOS is global market leader in core systems for Life, Accident and Health. FINEOS has customers in nine countries and has been chosen by ten of the top 20 Group Life, Accident and Health insurers in the US and four of the top five Life, Accident and Health insurers in Australia. FINEOS has many years' experience working with insurers in North America, Europe, and Asia Pacific.

FINEOS AdminSuite, is a cloud-based core product suite for Life, Accident and Health insurance. FINEOS AdminSuite delivers full service policy, billing, claims and absence management, providing best-in-class functionality for group, voluntary, and individual administration on a single platform, while also supporting self-admin, full-admin and TPA models.

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#### References

- <sup>1</sup> McKinsey Panorama FinTech database of global financial technology innovations, 2018.
- <sup>2</sup> Couchbase Research Reveals Organizations Risk Wasting an Average Of \$28 Million On Digital Projects As Pressure To Transform Mounts, August 14, 2018.
- <sup>3</sup> Digital 'fixation' causing firms to throw good money at bad projects, Digital Insurance, September 6, 2018.