

Agile Testing: Accelerating Insurance Product Development

Solstice Innovations is an insurance technology and services company. Our flagship platform, Equinox™, is a complete ecosystem for Flood, Homeowners, and more. We aim to enable clients to meet their evolving demands while increasing efficiency and decreasing costs.



INTRODUCTION/BACKGROUND

Hundreds of new insurance products are introduced to the U.S. market each year. A continued upward trend in new products will continue over the next several years. Some key drivers include evolving consumer demands, changes in consumer behavior, and emerging or increasing risks, such as wind, fire, and flood, in various regions.

The time, costs, and resources required to develop and introduce new insurance products can be immense. To reduce the risk of launching a product that is not well received or does not perform to expectations, insurers should test products using an agile approach that is not dissimilar to how modern software is developed: conceptualize, design/develop, test, review, release, iterate. New insurance product iterations may include modification to the product itself and cadenced rollout to various states or geographies.

THE CHALLENGE

The pressure on insurance companies to continually innovate is high, and there is a reasonable probability that those innovations will face difficulty in successfully launching at worst or have a limited shelf-life at best. The failure rate of new insurance products is like that of new business startups. By year 2, approximately 30% to 40% of new insurance products have failed. By year 3, it is more than 50%. Generally, insurance products become obsolete or incredibly high maintenance within 5 to 10 years.

Launching a new insurance product, which costs hundreds of thousands to millions of dollars, can take 6 to 18 months (or more), so speed-to-market is critical. However, there are many enablers and roadblocks to it. Common challenges include regulatory compliance, market research limitations, data collection and integration, technology constraints, consumer adoption, cost management, internal resistance to change, timing, market dynamics, and IT resource priority conflicts.

Many companies have tried several times to implement modernization initiatives designed to better enable the speed-to-market of new products while removing more costly legacy technology and lowering their overall technical debt and expense. These well-intended initiatives often fail for various reasons, including internal IT resources being pulled away to keep the legacy systems functioning. This leads to either partially implemented solutions or abandoning modernization projects altogether.

In many cases, these initiatives actually *increased* a carrier's IT spending by making their overall technology footprint even more complex. Several disparate or "partial" systems required IT departments to attempt to make them all communicate and effectively share data—which is a massive undertaking burdened with great risk.

SOLUTION

As an advanced and highly configurable Insurtech platform, Equinox™, a complete insurance ecosystem for flood, homeowners, and more, enables companies to quickly and easily deploy new products on several fronts. Some examples include:

1. Ability to quickly develop and configure products (by state) in the Equinox™ platform, including compliance, rating tables and methodologies, supporting forms and documents, and agent commissions.
2. Ability to integrate with any third-party data provider to make the quote process as simple, complete, and accurate as possible, ensuring well-underwritten policies and, ultimately, an accurate and fair claims process when losses occur.
3. Ability to integrate with other tools that support the new product launch, continuous review/retrospective, and ongoing iterations, such as CRM, survey, and feedback tools.
4. Ability to visualize and analyze data and/or export important data to enterprise data warehouses for additional reporting.



RESULT/IMPACT

Depending on the complexity of the insurance product, Equinox™ can reduce the cost and time of new product launches by as much as 50% or more.

As proof, Solstice Innovations was asked by a prospective client to add a new product to the platform within a week's time. The product's rating algorithm was somewhat basic, but the product requirements included everything needed for a fully functioning P&C line of business. Solstice was able to successfully add and configure this product, meeting all

the defined requirements and demonstrating from quote to policy issuance in just days, not months or years.

With that kind of ability, insurers can quickly prototype new products, testing, evolving, and perfecting them until it is time to launch. Further, Solstice clients don't have any upfront development costs or fees and only begin paying once they start using Equinox™ and only pay for what they actually use. With a visible and demonstrable product, market research and consumer feedback can occur as the product is developed in an agile fashion, as opposed to the traditional waterfall approach of "conduct research—develop product—launch—receive feedback."

This agile approach, made possible through Equinox™, enables speed-to-market while reducing the technology risk and expense of new product development and increasing confidence that the new product is viable to the market.