

Middle Office – a “Must Have” for a Digital Insurer

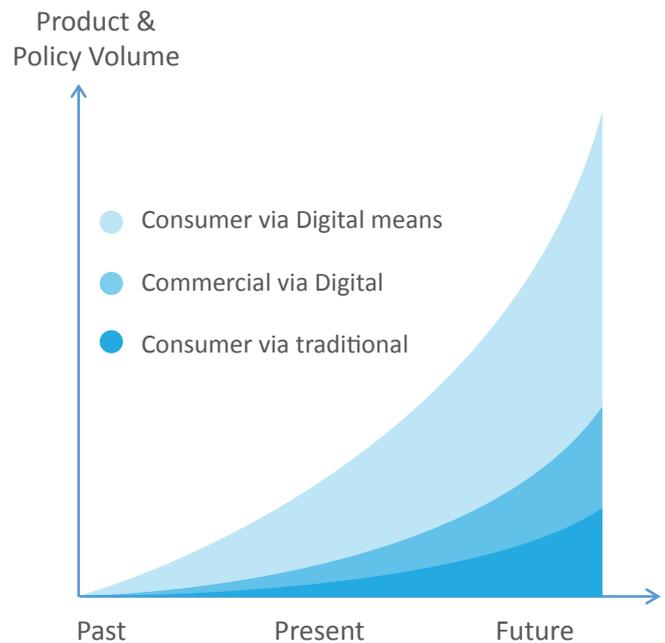
Going Digital? – Face the tough questions first

Going Digital is the buzzword within the global insurance industry for the last few years. Traditional insurance companies have put on their Digital hat to reinvent their businesses with new products to cover previously uninsured risks, new business models with extended partnerships, an explosion of new channels and enabling new modes of customer engagement. Insurers are exploiting the new breed Digital technologies has to offer.

Digital insurers aim to tap into high volume - lower value business segments (e.g. microinsurance) that were traditionally unviable. Within commercial insurance, more complex products such as SME, financial lines and strata are also key opportunities. These have become an important growth strategy for insurers constrained in markets which are either commoditised or have been traditionally characterized by low penetration. However, the key factors to success in this kind of business remains Agility, Low CapEx and OpEx coupled with an elastic technology to support agility and scale.

Over the past few years, most companies have appointed roles such as Chief Digital Officers (CDO) to drive the creation of these new business and operating models. However, the role of the CDO or any existing IT or Operational head with a mandate to Going Digital has not been enviable. Apart from dealing with the fundamental challenges of defining what Digital means, coupled with identifying Digital talent and addressing organizational silos, the following are the key problems to be considered whilst embarking on the journey of becoming a Digital Insurer:

1. **How do we create and tailor products quickly for various Digital channels?**
2. **How do we launch through traditional and new channels quickly?**
3. **How do we scale our servicing processes and systems to handle high-volume transaction spikes that could be created through various digital channels?**
4. **How do we integrate and utilize different solutions offered by FinTechs/InsurTechs?**



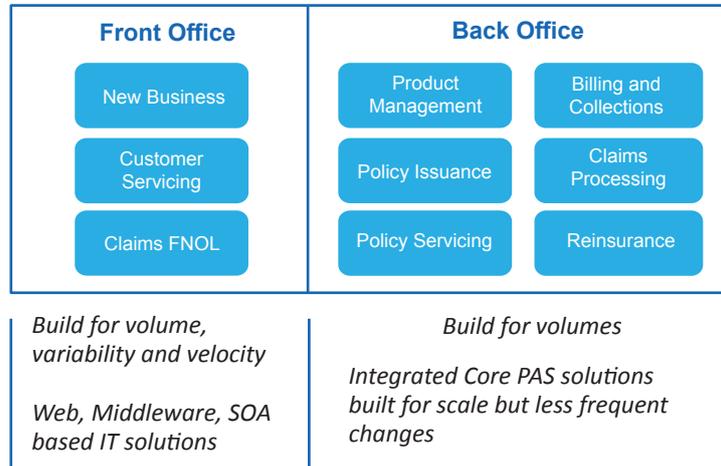
Without digital, online adoption stagnated due to legacy & a focus on the 80 / 20 rule
With Digital, a massive explosion of channels, products and service models allows for exponential growth in online business





Thinking Digital? Think Middle Office First

One of the critical success factors for companies that have implemented successful Digital strategies has been that they have adopted a focused approach to agility and scalability. Traditionally, insurance companies and IT systems have been organized as **Front Office** and **Back Office**. The Front Office comprises the most customer facing functions and the Back office provides service support to Front Office, as well as carries out other downstream functions of Finance, Accounting, Reinsurance, etc.

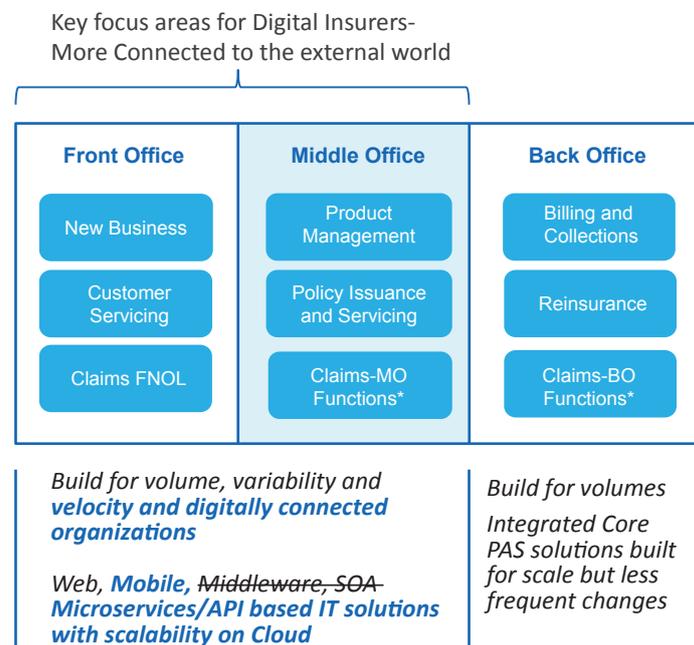


A Traditional Insurer's organization and system support

However, with the advent of Digital business, the role of Front Office is diminishing and is being replaced by Digital Channels- self owned (like Portals, Mobile Apps) or provided by the ecosystem partners (Aggregators, Broker, InsurTechs, etc.). Distribution partners are now demanding more flexibility from insurers – headless interfaces which allow partners to fully control the workflow, user experience and imbedded nature of an insurer's product in order to suit their business drivers (and no longer be constrained by using insurer portals and the many associated user names / passwords!)

But this in turn places more demands of flexibility and scalability, with servicing functions such as endorsements, claims and renewals being necessary, plus Product Management controls. How can insurers be seen to offer such a variety of product variances even within direct, broker, and agent channels without an explosion of product complexity at the back end.

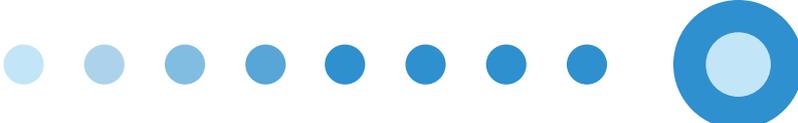
The solution to all this complexity? A Middle Office.



* Claims functions could be modeled in a Middle Office or Back-office construct based on considerations such as volume, frequency, operating model, etc.

A Digital Insurer's organization and system support





Hence, as a first step to Digitization, rather than a “boiling the ocean” approach of an end-to-end business and IT transformation (often led by a Core System modernization), insurers need to rethink the organization and architecture of the Back-Office systems and introduce an Insurance Middle Office. This approach is more agile and scalable than the traditional servicing organization and systems which were built to be a Back office (built for less frequent changes and batch operations).

Rather than a one size fits all approach to transform all its’ business functions and systems, with a middle office Insurers adopt a more focused, pragmatic and faster strategy to modernization starting with the business functions that matter the most.

eBaoTech’s InsureMO – stand up a Middle Office in weeks

eBaoTech’s InsureMO is solution that has helped Insurers in quickly standing up the Front Office and Middle Office for meeting the Digital challenges over their existing Back Office (Core PAS) systems.

The solution not only catalyses the Digitization process but also keeps the CapEx and OpEx low, which allows Digital Insurers to explore and experiment more with newer Digital Channels.

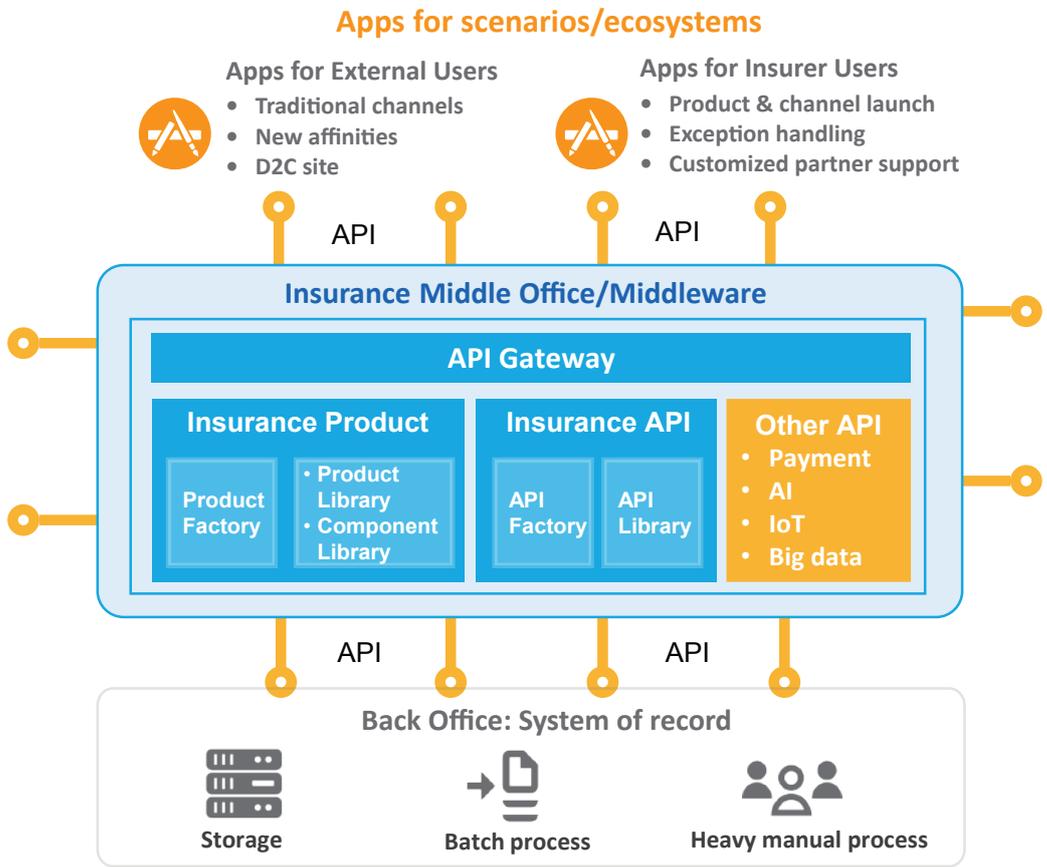


Figure: eBaoTech’s InsureMO - A catalyst for Middle Office Implementation

eBaoCloud InsureMO

- A middle office enabler for Insurance to meet the Digital business needs of massive volume; variation; velocity
- Backed by a super flexible product factory and libraries of insurance products and components
- Provides a comprehensive API library to service Insurance Middle Office functions
- Fully microservices architecture to leverage the full scalability potential of a Cloud based infrastructure
- Enables rapid connectivity to ecosystem, InsurTech’s and insurers’ core systems



For recent Digital Success Stories with eBaoTech's InsureMO

- **Driving Innovation in Digital Insurance, Aegon Life on-boards eBaoTech.**

Read the full story at:

https://www.ebaotech.com/about-us/newsroom/newspages/Driving_Innovation_in_Digital_Insurance_Aegon_Life_on-boards_eBao_Tech

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