GOING DIGITAL

The new centre of innovation

The insurance industry is well-known for lagging behind when it comes to the digital and technological revolution, mired by legacy systems and a risk averse attitude. **Dr Woody Mo**, CEO and President of **eBaoTech**, proposes the middle office layer as the perfect solution for allowing insurers to get up to speed.

By Ahmad Zaki

"For many decades, the insurance industry had the impression that all the technological capabilities sat in the core systems," said Dr Woody Mo. "With the coming of the digital revolution, everyone is trying to modernise their core to meet demand."

Replacing core systems is an expensive and slow process, and the pace of the upgrade cycle cannot keep up with the needs of the modern digital age. "Our view is that technology needs to be split into two layers – the traditional core and the middle office," he said.

The middle office will become the primary transactional engine, with the back office transforming to take on the storage and managerial functions. "Especially now, with connectivity demands being so huge, it is just not prudent to expose your core systems to connect to all of these different channels, or those of your partners. Eventually, you want to have a safer, reliable, integrity-driven core system – what we call the back office – and then you have a more dynamic and flexible middle office."

A flexible architecture

Whether the middle office sits in an insurer's private cloud or is accessed from a shared cloud is entirely up to the individual company, based on their specific needs. "We believe this is the future technology architecture for the insurance industry."

According to Dr Mo, the middle office includes the product engine and the policy and claims services. "In my view, all the real-time transactional capabilities will be run by the middle office. It doesn't deal with the func-

tions, or the UIs, that will still be handled by the front-end. The middle office will become the most important piece of technology in the API-based integration environment that insurers exist in today."

This quality of the middle office layer will, he believes, let it become the centre of innovation. "You can do much faster experimentation without worrying too much about your core systems getting compromised," he said. "Fast innovation is about failing and failing fast. Current core systems don't even allow insurers the luxury of failing, much less failing fast. So using middle office layer to facilitate fast innovation while preserving integrity of core systems is more viable and sustainable."

The middle office layer is not a new concept but applying it to technological innovation is. Dr Mo has been pushing the idea for the past six years, and only recently has the industry been receptive.

"The products go into the middle office and then is integrated into the insurers' core systems. This will make those core systems less critical to the innovation process, so they will stop being a bottleneck," he said, explaining how eBaoTech is currently helping their insurance clients.

Giving specialists a platform

Currently, eBaoTech's focus is on their cloud family of products, eBao Cloud. While they offer both Platform-as-a-service (PaaS) and software-as-a-service (SaaS) models, "eBaoTech will be very selective about which SaaS we will provide," he said. "The insurance industry is such a broad and diverse field that we will not be

able to address specific pain points that some insurers have, because we do not have the expertise in all those lines."

The idea is for a specialist solutions provider, such as start-ups, to come up with a software or product that can alleviate those pain points and use eBaoTech's platform as an enabler, which provides basic capabilities and allows the technology to develop faster.

Over the past three years, they have also been investing hugely into their micro-service architecture. "The traditional platforms have always been using enterprise software, which is still a big single piece of software. By breaking it down into micro-services, we become a container – a flexible box in which you can put anything," he said.

Dr Mo is very encouraged by the recent and dramatic rise of acceptance of eBaoCloud and in particular its middle office offering InsureMO. A few dozens of insurers and traditional sales channels, as well as leading internet channels are using eBaoCloud InsureMO as main connectivity hub.

Many InsurTech startups are also using eBaoTech InsureMO as their development and connectivity platform in China. Its development in Southeast Asia is also picking up rapidly. One of the leading internet start-ups in Southeast Asia, a financial product aggregator and comparison site, is using eBaoCloud InsureMO as engine for product and policy services, as well as connectivity platform.

"We see very rapid adoption of insurance middle office and cloud in insurance industry in 2018 and beyond. And with that we see a much faster transition to the digital era for this important industry," concluded Dr Mo.