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## Insurance Technology: The Future Landscape

The man on the street today has a greater appreciation of risks and exposures than ever as we experience what some call the most severe economic crisis since the Great Depression. Insurance buying patterns are likely to be permanently altered as a result. In response to the crisis, Congress is likely to seriously pursue efforts to regulate the financial industry, including insurance. Experts agree that we will see profound changes to the insurance industry, particularly on the regulatory front.

These developments make it clear that the monolithic, state compliance-oriented insurance administration solutions of the past are far from optimum in meeting the challenge of future changes. Many organizations are doomed to fail to meet the requirements for increased levels of compliance and the need for increased competition.

In the past decade we have seen the emergence of more flexible policy administration solutions. These solutions embrace the “rules and tools” formula and support change more successfully. However, they still suffer from the limitations of the underlying functional structures. Changes beyond the parameters supported by the system rules and tools still require IT staff to do some expensive, time-consuming heavy lifting. This is especially true if the functions are intertwined and strongly coupled.

### **Where P&C Policy Administration is Heading**

The next frontier is undoubtedly advanced, model-driven, service-oriented architectures. A symphony needs a conductor to orchestrate the various instruments with a common music score. Musicians reuse and reconfigure each instrument to produce an endless variety of music. In a similar way an Enterprise Service Bus (ESB) with Business Process Management services can orchestrate underlying services into endlessly reconfigurable business processes. This approach offers true plug-and-play services for the first time in policy administration solutions through abstraction and the separation of process management from services. Models provide the ontology to rigorously define the underlying services and provide the context for their reuse. Adopting standards such as ACORD is critical for this framework to help ensure compatibility with third party business partners that may supply key services through software as a service.

At the beginning of 2008 StoneRiver began a four-year project to re-platform its suite of enterprise property-casualty solutions. The solutions are moving into an advanced, model-driven, service-oriented architecture (SOA) that embeds a full enterprise service bus in the solution. StoneRiver prioritized its client, billing, distribution services, and all-lines policy administration solutions as the first to make this transition.

This new generation of multi-corporation, multi-company, all-lines solutions continues to emphasize configuration tools and business rules. But it also introduces a true model-driven SOA with high reuse of common services. Existing functionality is being re-factored into the SOA framework to capitalize on the rich functionality in current systems.

The ESB allows carriers to deploy multiple user interfaces. StoneRiver has selected three main personas: external untrained web users, internal admin/CSR staff and internal administrators. Professional human factors experts have helped develop a state of the art user experience.

A key objective is to continue a history of capably supporting a wide range of product configurations ... everything from highly commoditized lines (such as personal auto and homeowners) to highly specialized commercial lines where major elements are manuscripted.

An increasing level of federal regulation is anticipated, but current state regulations will continue to be fully supported. There is also improved support for Sarbanes-Oxley and the Model Audit Rule, with testable controls, audit trails, and stronger security. Layered security using identification, authentication, database and message encryption, audit trails and resource constraint regimes are ubiquitous.

The new embedded ESB allows carriers to integrate specialized services more easily. For example, carriers might want to integrate real-time predictive analytics, geo-spatial data enhanced imagery, business partners, services providers and various subscription-based insurance industry information providers. Many of these options will increasingly be offered on a pre-integrated basis.

Core to the new generation is ACORD-compliant client storage based on the full party model for persons and legal entities, along with a complete set of supporting services. This will enhance a carrier's ability to up-sell and cross-sell to existing customers. A carrier will be able to mount integrated marketing campaigns, fully support account level billing, offer multi-policy discounts, support affinity relationship marketing efforts and improve customer service.

StoneRiver is also building a full toolkit of migration tools so existing users can move as easily as possible to the new generation of products. This strategy enables StoneRiver to future-proof its existing customer base and implementations. ■

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