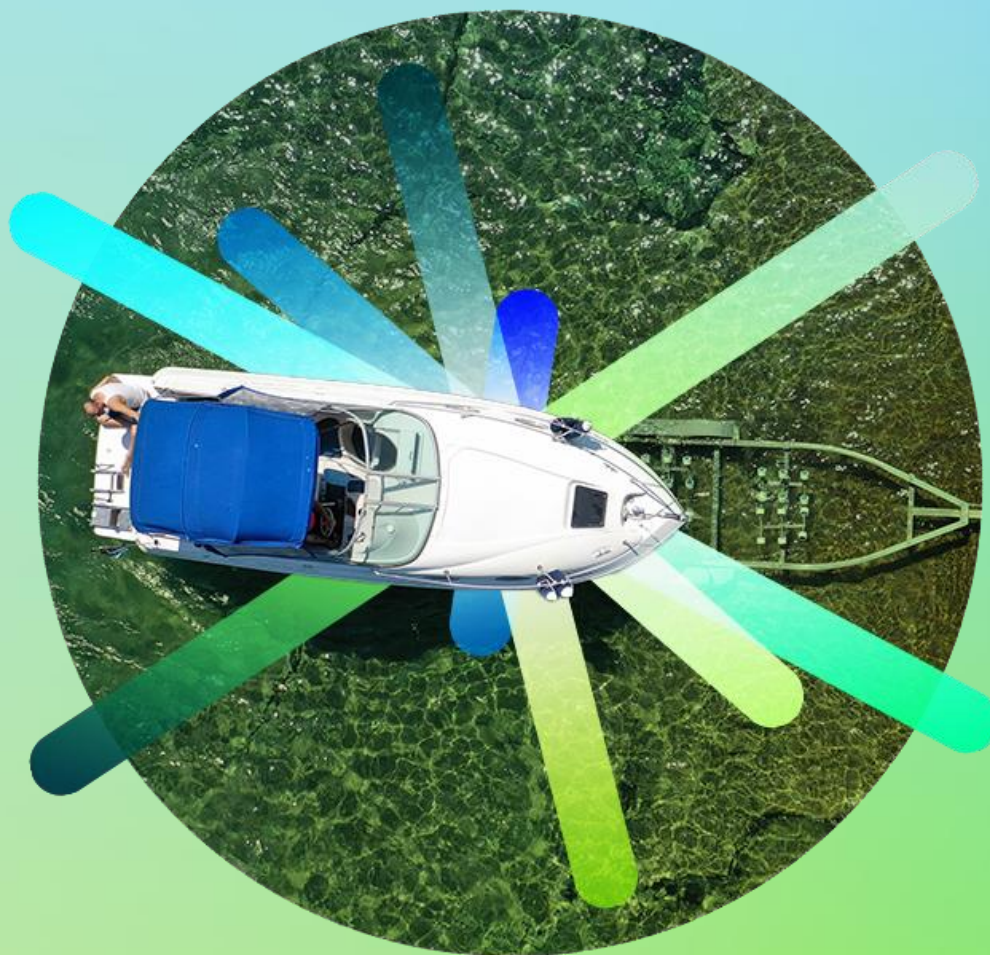


Deloitte.

In association with **Guidewire**



***TURBOCHARGING
SPECIALTY INSURANCE:***
*ACCELERATE GROWTH BY
ACHIEVING SPEED TO MARKET*

Specialty insurance caters to industries, professions, or assets that require more specific products and services due to their unique or elevated risk factors. This type of insurance offers customized coverage for uncommon risks, providing essential protection where standard policies fall short. Specialty insurance allows customers and businesses to obtain insurance coverage on an admitted and non-admitted basis, which may otherwise be unavailable or unaffordable in the standard property and casualty (P&C) insurance markets.

Over the past few years, there has been unprecedented growth in the specialty insurance segment with industry analysts forecasting continued material growth. The global specialty insurance market was valued at \$104.7 billion in 2021 and is projected to reach \$279 billion by 2031—a CAGR of 10.6% during this 10-year period.¹ This growth is further fueled by increasing demand for customized insurance solutions and the emergence of new risks requiring specialized coverage.

To achieve growth and sustain it, it's imperative for carriers to be able to:



Roll out products faster and in a cost-effective mode



Streamline operations for value generation



Establish effective feedback loops to make products relevant in the market



Proactively adapt to market dynamics through a differentiated broker experience

Do all of this without significant upfront capital investments and while investing in flexible, forward-looking technology.

Despite the prevalence of specialty insurance, this segment has historically lagged in leveraging technology advancements to fuel innovation and capitalize on market dynamics. Keep reading to learn more about the importance of speed to market for sustained success in the specialty insurance market, and how successful carriers have achieved it with the use of robust product designs and scalable technology solutions.

WHY SPEED TO MARKET IS IMPORTANT

Speed to market is an important factor for growth and sustained profitability in today's rapidly evolving landscape of specialty insurance. It also allows carriers to update existing products to stay ahead of market headwinds and tailwinds.

Carriers can realize these potential benefits by being able to mobilize quickly into new market segments:



STRENGTHENING BUSINESS RELATIONSHIPS

Distribution partners in the specialty insurance segment value reliable, agile, and resilient insurance carrier partners. In addition to more traditional brokerages, insurance carriers retain and grow specialty market portfolios by partnering with Managing General Agents (MGAs) and non-traditional intermediaries, like professional affinity groups. A recent market trend study revealed that MGAs play a critical role in the specialty insurance market, writing 14 percent of Commercial and Specialty risks and growing at 11 percent year-over-year over the last two years.²



MARKET RESPONSIVENESS

The specialty insurance market is characterized by its dynamic nature, with risks continually emerging or evolving. Being able to mobilize quickly allows insurers to respond to market shifts, ensuring that their product offerings remain relevant and comprehensive. This nimbleness is essential for addressing new and complex risks that standard insurance policies may not cover.



COMPETITIVE ADVANTAGE AND PRICING POWER

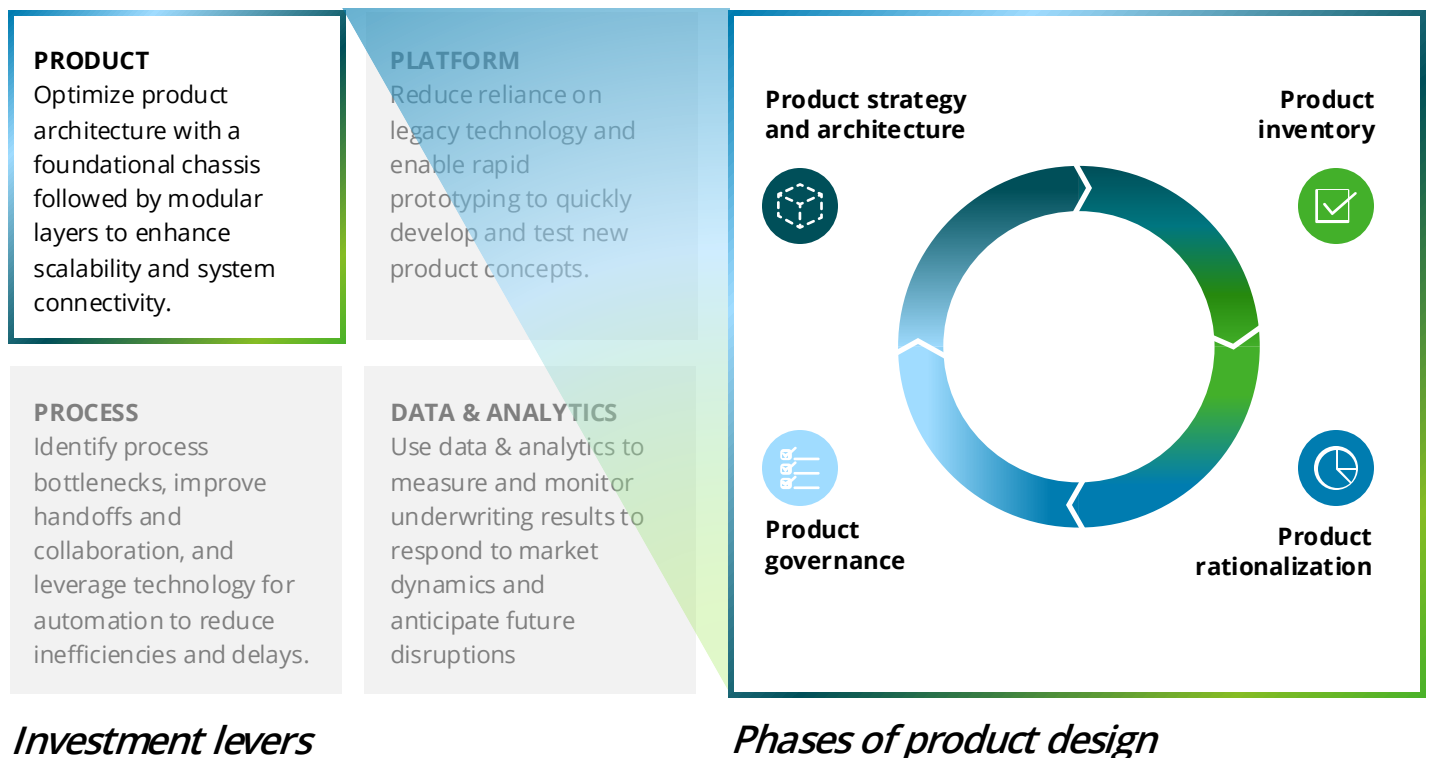
The faster a carrier can introduce new or updated specialty products to the market, the better their chances of winning business over competitors and achieving profit margin benefits. Early movers in the market can create momentum for enhanced coverage offerings and pricing, thereby attracting more customers and generating higher returns.

WHAT LEADING SPECIALTY CARRIERS ARE DOING TO ACHIEVE SPEED TO MARKET

Specialty carriers that are successful in capitalizing on this market growth have prioritized investment towards robust and modular product designs, modern SaaS platforms, streamlined underwriting processes, and insightful data-driven analytics. While each of these are pivotal capabilities for fueling growth in the specialty market, the product design is foundational to having a scalable and modular architecture that enables tailored product offerings without a proliferation of operational burden and expense.

Deloitte and Guidewire have developed a time-tested product design framework for navigating transformations and achieving a carrier’s desired business goals. *The framework can be broken down into four key phases as shown in Exhibit 1.*

Exhibit 1: Fueling growth in the specialty market



Product strategy and architecture

A well-defined product strategy and architecture are crucial for insurance companies to remain competitive and meet the evolving needs of their customers. By focusing on market analysis, product development, go-to-market strategies, customer experience, and performance monitoring, insurers can create robust and adaptable products. Additionally, a modular product architecture ensures that these products are scalable, flexible, and compliant with regulatory standards, ultimately leading to sustained business growth and customer satisfaction.

Product inventory

A well-maintained comprehensive product inventory is essential for insurance companies to manage their product offerings effectively. It provides a centralized repository of all product-related information, promoting operational efficiency, regulatory compliance, market responsiveness, and customer satisfaction. By keeping the product inventory up-to-date and comprehensive, insurance companies can better manage the product lifecycle. This also creates a common understanding across product, compliance, actuarial, underwriting, and other business stakeholders to identify where similar lines of business (LOBs) and coverages are offered across the organization and gain insights into similarities in underwriting workflows and sales channels.

Product rationalization

Product rationalization in specialty insurance is a strategic process that helps insurance companies regularly streamline their product portfolios to improve efficiency, profitability, and market appeal. By systematically evaluating and managing their products, carriers can ensure that they offer relevant, high-quality products that align with their business objectives and market demands. This process also helps in maintaining regulatory compliance and reducing operational costs, ultimately leading to a more robust and competitive product portfolio.

Product governance

Product governance in specialty insurance is a critical component that ensures insurance products are developed, managed, and monitored in a way that aligns with business objectives, serves the best interests of customers, and meets regulatory requirements. Given the nature of specialty insurance, products are continuously refined based on feedback loops within carriers and between carriers and market partners. Strong product governance and operational efficiency in product maintenance plays a key role in ensuring a timely and appropriate response to market demands.

HOW GUIDEWIRE TOOLS AND CAPABILITIES CAN ENABLE ROBUST PRODUCT DESIGN

Guidewire offers powerful solutions designed to support seamless speed to market for specialty carriers. These tools include Advanced Product Designer (APD), cloud APIs, and Guidewire App Events, which together provide a significant level of flexibility and features that streamline product development. Each of these tools plays a role in accelerating speed to market and enhancing product quality.

Guidewire PolicyCenter and APD for modular and agile product design

APD is a powerful tool that allows insurers to rapidly design, visualize, and deploy new products and product updates in a simplified development experience. APD helps with:



Rapid product configuration by empowering business users and product owners to collaborate alongside IT to quickly build and configure new products or modify existing ones with little technical expertise.



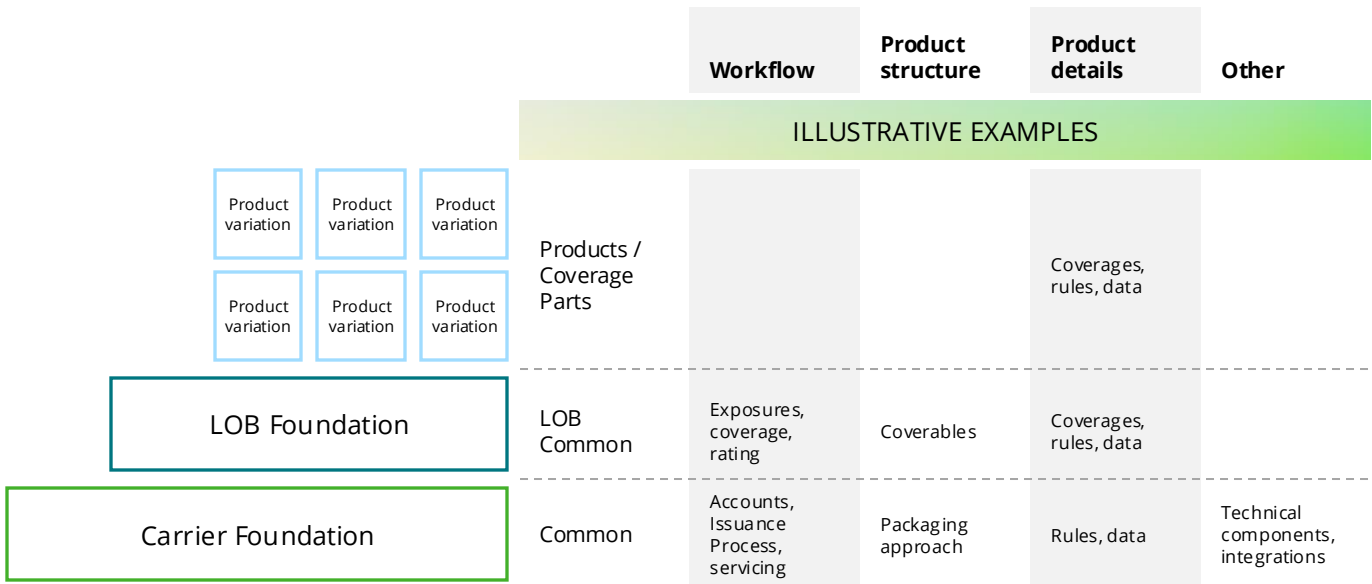
Realizing speed to market by auto-generating PolicyCenter data model properties, transaction interfaces, and restful APIs for the entire product data model. This can help accelerate an insurer's ability to bring new products to market, as well as respond quickly to emerging risks requiring product or endorsement modification.



Enhanced collaboration and efficiency by acting as a true facilitator between the business and IT. APD's product visualization capability lets product managers and IT co-develop and directly visualize what the product will look like within the PolicyCenter user interface, all during product development and design phases. This immediate feedback in design drives speed to market and provides qualitative outputs for cross-department request fulfilment.

The flexibility offered by Guidewire APD facilitates the design and development of modular products, further enhancing insurers' agile response to evolving market needs.

Exhibit 2: Product design structure



Leveraging Guidewire APD, insurers can rationalize their product offerings and processes across diverse business units and develop a common reusable foundation that streamlines policy issuance and servicing across all product lines. This foundation can be further tailored to meet the unique requirements of related LOBs by building a LOB-specific framework with a strategic coverable and exposures hierarchy. LOB foundation is then refined and optimized to address the distinct needs and variations inherent in each product. This can drive differentiation and enhances the insurer’s competitive edge in the market.

Cloud APIs: Seamless integration and accessibility

- **API-first architecture:** Guidewire Cloud Platform’s API-first design help ensure that all components of the applications are easily accessible to external systems, enabling insurers to connect with third-party data providers, InsurTech solutions, and service partners. This can drive stronger distribution capabilities and addresses higher customer expectations.
- **Real-time data exchange:** These restful APIs facilitate real-time data exchange, which is important for underwriting, claims processing, and customer service operations. This allows insurers to deliver a more responsive and personalized experience.

App Events: Enhancing real-time interactions

App Events within Guidewire Cloud platform let insurers build more interactive and real-time applications, which are necessary in today’s fast-paced insurance environment.

- **Event-driven architecture:** App Events support an event-driven architecture where specific triggers (e.g., a claim being filed or a policy being updated) can initiate automated workflows, notifications, or integrations with other systems.
- **Improved operational efficiency:** By automating system responses to key events, insurers can reduce manual processing times, minimize errors, and improve operational efficiency. This contributes to faster-time-to-market for new products.

DELOITTE AND GUIDEWIRE IN ACTION

CASE STUDY 1

SPECIALTY LINES MODERNIZATION

An insurer was looking for a strategic and proven delivery partner to enable its aggressive business growth. The organization wanted a strong and agile technology foundation built upon Guidewire's cloud-based Policy, Billing, Claims, and Datahub, and document management solutions.

Deloitte collaborated with the insurer's IT and business team and Guidewire to implement InsuranceSuite on Guidewire Cloud. Together we defined product hierarchy and technical solutions to achieve speed to market and reduced total cost of ownership. The project involved establishing a modular product structure with two primary building blocks.

Modular product structure building blocks:

Common foundation:

Catering to all products across all business units.

Product-specific foundation:

Introducing a standard structure that tailored to unique attributes of each product and exposure hierarchy.

This design was further expanded to address fewer flexible variations within each product such as admitted vs. non-admitted offerings and primary vs. excess offerings. This exercise included:

- Identifying commonalities across workflows and business processes that met collective needs while retaining the flexibility to address unique product requirements.
- Exploring opportunities for leveraging the common product foundation and consolidating products with similar structures.

Business outcomes of the project included:

- Exceptional reusability and flexibility achieved through strategic use of Guidewire APD to establish a common foundation.
- Launching a new product variation on top of the new foundation in less than 12 weeks.
- Unmatched speed to market for specialty products. The overall time to quote and binder was reduced by 50 percent. The time to issuance was reduced by 90 percent.
- Creating a technological foundation for the expansion of the business into new geographic markets and product lines with 70 percent reusability across product lines.

CASE STUDY 2

SPECIALTY LINES SYSTEM TRANSFORMATION

A specialty property and casualty insurer set out to revamp its predominantly manual systems by transitioning to a scalable underwriting technology platform. This initiative included upgrading and rationalizing multiple overlapping systems and products, each with distinct operational characteristics.

With deep experience in leveraging the flexibility offered by the Guidewire platform to build a standardized yet modular solution and extensive experience in product design and architecture, Deloitte streamlined the product portfolio and established a standardized and reusable workflow tailored to the unique requirements of each product.

Our approach included:

- Analyzing each business unit's processes to identify commonalities and differences
- Evaluating opportunities to eliminate redundancies and overlaps
- Establishing a product foundation and workflow to balance collective needs with the flexibility for unique product attributes
- Exploring opportunities for reuse to optimize efficiencies
- Leveraging the flexibility offered through Guidewire APD to create a standardized workflow across products
- Refining the workflow to provide tailored variations based on pre-defined attributes

Business outcomes of the project included:

- Reducing in the number of LOBs and coverages by eliminating redundancies and overlaps and leveraging a common modular platform to meet the needs of multiple business units.
- Achieving significant efficiency and accelerating speed to market by the strategic use of Guidewire APD and the Guidewire out-of-the-box framework.
- Launching a new product in less than seven months.
- Establishing a reusable template (60 percent reusability) that can be seamlessly used to launch new products and expand into new market segments.

DON'T WAIT TO GET STARTED

During this unprecedented growth phase in the specialty market, carriers need to proactively bolster their strategic product capabilities to capitalize on growth opportunities and edge out competitors. The future of specialty carriers hinges on the ability to integrate forward-looking technologies in order to provide a responsive and customer-centric insurance experience in an ever-evolving landscape.

Deloitte and Guidewire are ready to engage with carriers in the specialty insurance market who are embarking on product modernization journeys and looking to stay ahead of technological trends. We're here to help you thrive and meet the dynamic demands of the sector.

Contact one of us to talk about how to modernize and transform your specialty insurance offerings.

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1: <https://www2.deloitte.com/us/en/pages/consulting/articles/specialty-insurance-market-growth.html>

2: <https://www.conning.com/about-us/news/ir-pr---mga-2024>

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