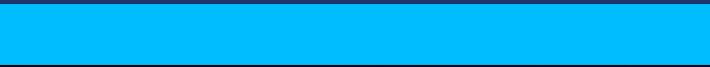


**BUILD, BUY OR RENT?**

The game-changing  
question for insurers



# 1

## OVERVIEW OF BUILD, BUY OR RENT?

### Current state and trends

Insurers are already acutely aware of the need for change and looking at ways to modernise their systems and processes. According to Deloitte<sup>(1)</sup>, **95%** of insurers are actively accelerating their digital transformation journey to maintain organisational resilience. Digital transformation is a marathon, not a sprint, and many crucial factors need to be considered before embarking on this journey. One of the most impactful decisions is whether insurers should build their own software in-house or buy or rent software from third parties.

The “build vs. buy vs. rent” debate is ongoing in many insurance areas, including underwriting, CRM, claims and billing systems, and payment systems. It has been particularly pressing with the rise of Insurtechs, as more and more insurance technology solutions become available in the market. Before the proliferation of SaaS solutions and cloud systems, the most natural approach for insurers would be to build their software in-house and gradually modernise their systems. Now, they have various solutions at their disposal, which come with unique advantages.

There are several factors to consider when choosing between building your software or buying or renting it from third parties:



#### Cost

Assessing which option is more cost-efficient by estimating the costs of building software from the ground up and maintaining and updating software in-house.



#### Time

The clock is ticking for insurers to digitalise, so systems need to be built and modernised as fast as possible to keep up with market innovation and customer demand.



#### Purpose

Evaluating the exact capabilities you are looking to acquire and searching the market for ready-to-deploy products that may perfectly meet your needs.



#### Opportunity cost

Assessing what insurers could do with the resources being used to build and what resources they need to access.

# 2

## BENEFITS AND CHALLENGES OF BUILDING SOFTWARE IN-HOUSE FOR INSURERS

Choosing to build software in-house is a big decision that involves a lot of stakeholders and resources. Plus, such projects are complex and highly impactful for various business areas. Let's investigate both benefits and challenges of custom-building your software in-house so you can make a more informed decision.



### The benefits

#### Owning and controlling the code

Building new software infrastructure from scratch or modifying systems in-house means that your company owns the code and can integrate it with your current tech infrastructure. It is proprietary to the company, and you are free to change it anytime.

#### Custom-fit

There are various third parties out there offering specific solutions to unique problems. However, building your software in-house means you can make it perfectly match your current and future requirements. Furthermore, adding new features that meet the company's specific needs may be easier.

#### Complying with regulations

The insurance sector and financial sector generally are very heavily regulated. Compliance with regulations is a high priority for any company because various financial, reputational and customer data risks are associated with not meeting required standards. Plus, you may be putting your customers at risk of exposed personal data.

Most third-party providers are monitoring their regulatory compliance very carefully, so this shouldn't be a concern. But instead of trusting a third party to comply with regulations for you, you can ensure that your company is compliant by building and owning your software – taking on this responsibility.



## The challenges

### Lengthy and complex projects

To start with, this is generally a lengthy project with higher costs and more associated risks. Even if your development team is highly experienced, there is no fast track to building software. It requires a lot of time and resources to thoroughly research the market and ensure that the software effectively solves your company's problem.

### Lack of subject-specific expertise

The expertise component is something that insurers may not already have within their teams. For instance, when it comes to payments, insurers don't typically have the in-house payments expertise to guide this kind of research and help ensure that new investments into payments innovation will pay off. Once this research is done, then comes all the planning and groundwork, which often involves many stakeholders.

### Ongoing maintenance costs

PWC<sup>(3)</sup> suggests that system maintenance can make up for about **70%** of the whole IT budget for insurers. Beyond the implementation, you also need to maintain, update or fix software as required, so the costs and resources are never-ending and can often be overlooked.

A Deloitte survey<sup>(5)</sup> also found that the average enterprise spends about **57%** of its IT budget on supporting and maintaining operations and only **16%** on innovation.

Some of the costs of relying on old IT systems aren't tangible, including the lack of speed, inability to change, and operational inefficiencies. These inevitably snowball into customer dissatisfaction and difficulties in keeping ahead of what is already a hyper-competitive market.

And what if the very software you are building has already been built by another company and is fully ready to deploy, saving you time and money?

When you estimate the costs for an IT project, be sure to count in unexpected problems and costs. Project Management Institute (PMI) found that **43%** of IT projects exceed their initial budgets, **49%** are late and **14%** fail altogether <sup>(2)</sup>

New system implementation costs are only **8%** of the total costs of running and maintaining a system.

*Gartner report<sup>(4)</sup>*

## 3

## WHAT ARE THE BENEFITS & CHALLENGES OF BUYING OR RENTING SOFTWARE FOR INSURERS

Insurtech isn't new anymore, yet its growth shows no signs of slowing down. The global insurtech market size is expected to grow at a CAGR of **46.10%** from **2022 to 2030**<sup>(6)</sup>. This whole new sector brings many disruptive opportunities for insurers, one of which is the ability to buy off-the-shelf and ready-to-deploy software that fulfills their needs.



### The benefits

Let's look at some of the benefits that buying or renting software can bring to insurers:

#### Lowering costs

These solutions are generally built taking into account industry standards and compliance with regulations and serving unique customer needs. The upfront costs of buying software from a third party versus building it yourself are much lower, as is the length of integrations. Integrating ready-made software into your current systems may take weeks, while building software in-house is often a years-long process.

#### Freeing up resources

Updating, maintaining, or fixing this software, as well as adding new features, is the responsibility of the third party. This way, you can free up your resources and ensure that your team is focused on other high-priority tasks. You will also get the expertise and support you need to use all the capabilities your new software offers, such as technical training.

#### Solving unique business needs

If you are looking to solve a unique business need, there may be solutions available that address your specific requests. Opting for a ready-made solution can save your company significant time and money, both in the short term and in the long run.



## The challenges

### Lack of customisability

There are a few disadvantages to buying software from a third party, which include requesting features if you would like any feature added and not being able to customise your software as much as the company would like. This is highly subjective and variable, as each solution has its own degree of customisability.

### Difficulty in integrations

Not all systems are compatible with your insurance company's current systems, so you need to ensure that you can seamlessly integrate a new solution into your existing stack and programmes.

### How do payments help in simplifying complex insurance systems?

Insurers have their core competencies, which involve underwriting, pricing, and understanding risk. Anything aside from that may not be a high priority, making it easy for particular areas to be overlooked. One of the critical areas within insurance is payments.

At its very core, insurance is a contract to exchange money, so the payment element is key. Yet, because it isn't a core competency, insurers don't typically have the in-house payments team or the payment expertise to navigate this world and invest in payment digitalisation.

Payment digitalisation in insurance requires multiple single integrations with payment providers and technologies to meet customer needs. Payment variety is necessary for two main reasons:

### Situational differences

Customers buying a policy online may expect to pay with a credit or debit card, just like when shopping online at retailers. Similarly, for payouts, if customers are receiving a large reimbursement, they may prefer to receive a bank transfer rather than, for instance, a £500 voucher for a particular retailer. However, if your customer is receiving a claim payout for their travel insurance policy, they may prefer

to receive a voucher that can be spent right away on a lounge or hotel or cash on a card to pay for goods. Push-to-card is another option that allows policyholders to claim back to the card they used to pay the premium. This payment method is quick and convenient, making it ideal for situations when the policyholder needs immediate funds.

### Unique payment preferences

Customer payment preferences vary widely based on various demographics. Taking Europe as an example, European countries have very disparate payment preferences. In the UK, for instance, debit or credit cards are the most popular payment method, with **50%** of UK residents choosing this payment method over others. In Switzerland, on the other hand, **53%** of Swiss residents prefer bank transfers.

Understanding these disparities between markets and adapting to these is crucial to meet customer demand and improving customer satisfaction.

### The most popular payment methods by country in Europe



**50%**

of people in UK prefer **debit or credit card**



**47%**

of people in Spain prefer **debit or credit card**



**49%**

of people in Portugal prefer **debit or credit card**



**53%**

of people in Germany prefer **bank transfer**



**49%**

of people in Germany prefer **bank transfer**



## Build vs. buy vs. rent in payments

Insurers understand the obstacles they face in getting closer to customers, but some of these mountains are too big to climb without compromising on something. That's where the build vs. buy vs rent debate comes in. Multiple integrations with payment providers are necessary for insurers operating in various markets across numerous lines of business. However, these integrations are complex, lengthy, and costly due to incompatibilities between legacy systems and modern technologies.

In addition, the lack of payment expertise makes it challenging to navigate this complex payment ecosystem that is packed with providers and technologies and to understand which solutions are the right ones for the business. At a time when customer demand is increasingly high, and insurers are pressured to deliver quickly and efficiently, these complex integrations are far from ideal. That is why adopting a third-party solution proves valuable.

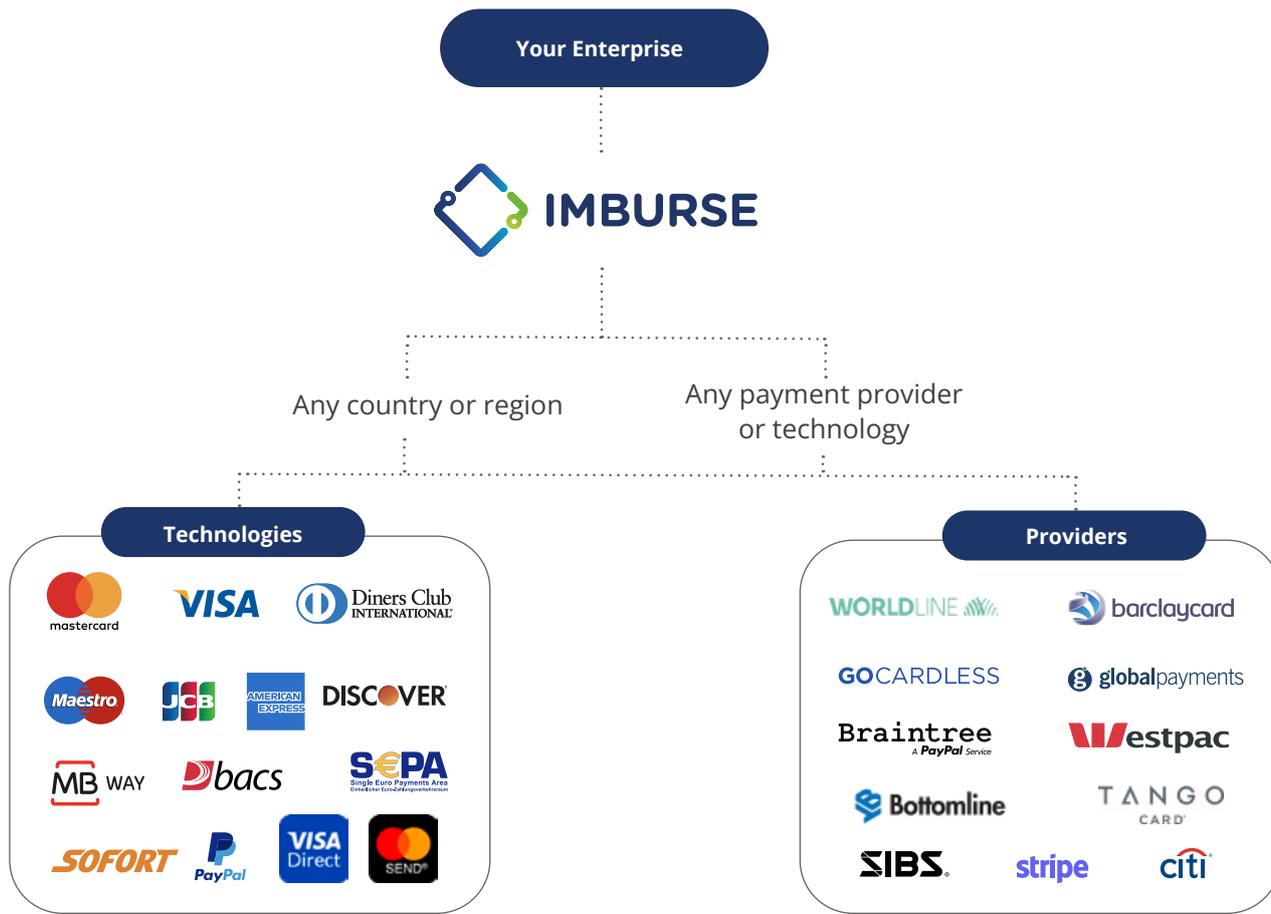


## How Imburse solves the payment integration problem for insurers

Imburse offers connectivity to the entire payments ecosystem. By connecting to Imburse, insurers can integrate with any payment provider or payment technology available in any market for both collections and payouts. You can also add or change payment providers and technologies to suit the changing needs of the business. Plus, by using Imburse, insurers don't necessarily have to change anything in their systems. Imburse can take the data from their systems, including legacy infrastructure, and abstract the required data.

This is crucial for two main touchpoints: collections and payouts. Collect premiums via various payment methods, and pay out claims via your customers' preferred methods and channels. The payments journey needs to be as seamless and straightforward as possible, as customers are looking for that convenience and user-friendliness in every product or service they purchase.

Some examples of the payment providers available to insurers in the Imburse marketplace are GoCardless, Checkout.com, Citi, and Bottomline. We are also pre-integrated with various technologies that facilitate easy and quick payouts, such as MasterCard Send and VISA Direct.



Aside from enabling fast and easy integrations with any provider and technology, Imbursed's Pay-By-Link solution offers a new level of flexibility and simplicity when it comes to both receiving premium collections and paying out to customers.

Pay-by-Link<sup>(7)</sup> is a smart payment link that customers can receive via SMS or email. Once they click on the link, they will be directed to a payment page where they can safely add their payment details and confirm the payment. Taking away the complexity of long checkouts contributes to reducing dropout rates and higher customer satisfaction.

Imbursed's clients are some of the biggest insurers in the UK and Europe, namely Generali, Swiss Re, Beazley, and Zurich. We also integrate with core systems such as Sapiens to enable more insurers across the globe to access our solution.

# 4 | SOLUTIONS



## What are some practical steps for insurers to future-proof systems for the digital age?

### Automate the claims process

There are various small yet complex business practices within the more extensive insurance claim process. Over-reliance on manual work makes it increasingly challenging to provide a seamless and stress-free service to policyholders. Slow processing times, manual errors, and limits on the number of policies processed causes friction in insurance operations and customer experience. These issues threaten insurance providers with the loss of customers and the inability to attract new ones.

Adapting to the digital age is a double-edged sword – and insurers know that. For once, digitalising processes and services are proven beneficial in the long run, with McKinsey<sup>(8)</sup> estimating that **30%** of claims journey costs can be reduced by automation. But the insurance sector also needs to rise to the challenge of digital transformation and break the barriers that have long been standing in its way.

**30% of the claims journey costs can be reduced by automation.**

*McKinsey report <sup>(4)</sup>*

Automation is a simple solution to these problems. Its ability to perform complex operations at scale and without human involvement helps insurance companies be more efficient and productive in internal and external operations. Plus, it leaves less room for human error and improves accuracy. Reducing costs is another key benefit that comes from automating the claims process.

In a real-life scenario, automation can cover almost all of the steps of claims processes. For instance, in a real-life scenario, policyholders can submit their claims digitally via an app or online portal, and chatbots can be used to collect basic information. Then, algorithms can manage and validate data, which includes reviewing the policy, claimant's details, and benefits. The policyholder is kept updated at every stage of the claims process via their preferred communication channel. Lastly, the policyholder is paid using their preferred payment method and via their most convenient channel. This could be a bank transfer, push-to-card, or voucher, to name some of the payout solutions available.



## Invest in customer interaction

Despite its many advantages, automation may often lead to limiting human interaction. Yet, the human touch is now more valuable than ever, as customers look for personalised experiences to feel valued and appreciated.

This is especially true for policyholders that have just gone through an unfortunate or even traumatic event and expect a certain level of empathy from their insurer. A balance is required between automating tasks to create operational efficiencies and investing in customer communications to establish more meaningful relationships with policyholders.

Customer interaction is built through various communication channels, whether that is personalised emails and SMS or a 24/7 support service available on the insurer's mobile app or website. Automation can play an essential role in customer engagements too. Regardless of how the insurer chooses to communicate with their customers, keeping customers updated at all times is beneficial, especially during a claim process.

There are also tools and solutions insurers can adopt to improve customer interaction. Imburse has developed MicroSavings<sup>(10)</sup>, an end-to-end customizable savings solution that enables insurers to play an active role in their customers' savings journeys. With MicroSavings, insurers can interact with their customers every time they spend, build a deeper connection with them and gain meaningful insights about their spending habits.

## Integrate end-to-end technology solutions

Many traditional insurers are functioning on their legacy IT systems. Even if these systems have been modified or updated to reflect market trends and customer needs, they still have their technological challenges. These systems power their entire operations and have been working for decades, so insurers may be reluctant to modify them<sup>(11)</sup>. Yet, the costs of maintaining these systems can be more damaging than the upfront cost of investing in new technology.

In the path to digital transformation, selecting technology solutions that fill in digitalisation gaps is crucial. Once insurers have deeper insights into what their customers want, their ideal experience, and how they prefer to interact with their insurer, the selection process comes. This involves selecting technologies that enhance a specific part of the insurance process, whether that is customer experience, internal operational efficiencies, or underwriting.

The question of build, buy or rent is particularly relevant here. There are various factors to consider, such as time-to-market, the costs involved, and the cost-benefit of investing in an in-house vs. third-party solution. With the plethora of solutions available in the market, the most challenging part is selecting those that truly suit the needs of the business and the customer.

The Imburse platform fills a vital gap for insurance: payment digitalisation, accessing multiple payment providers, and integrating with them promptly without wasting money or resources. This is just one of the many pieces of the puzzle and one example of how insurers can take advantage of what is already available in the market.



### What are the benefits of low-code solutions for insurers?

As the name suggests, low-code development platforms require no or little coding to configure or modify. These solutions are visual and enable users to drag and drop application components. Users simply select elements from pre-built libraries, add behaviours and connect them to make something unique.

They require much fewer resources and make it easier and more practical to customise the solution to meet business needs. Other benefits of low-code solutions include the following:

- Reduced underwriting and claims management costs- Low-code platforms automate manual processes such as quotes, billing, underwriting, or claim submission. This cuts the processing time, and it reduces the support costs eventually.
- Rapid time-to-market – Since low-code apps are created by developers rather than programmers, they typically require less time to create than programming apps.
- Increased productivity – Users can build custom applications quickly with low code. This allows insurers to focus on other areas of their company while the app is being developed.

**“For the majority of companies still fearful of a massive technology overhaul, No-Code/Low-Code platforms enable companies to take a tactical and gradual route to a digital transformation.”**

*No-Code/Low-Code Platforms- A Bridge from Legacy to Digital? Instech London<sup>(12)</sup>*

*Gartner<sup>(13)</sup> estimates that by 2024, no-code and low-code development will account for 65% of all application development.*

# 5

## THE PARTNERSHIP BETWEEN IMBURSE AND SAPIENS



Imburse has strategically partnered with Sapiens, a global provider of software solutions for the insurance industry, to enable Sapiens' clients to access the global payments ecosystem.

Backed by **40 years of industry expertise** and with over **600 customers** globally, Sapiens International Corporation is at the forefront of innovation in the financial sector, particularly in insurance. Sapiens has a strong ecosystem of partners and are always keen to engage with new and innovative partners such as Imburse. Sapiens offers a complete core insurance platform that comes with pre-integrated, low-code, and cloud solutions to empower insurers in their digital transformation journeys.

Through this partnership, Sapiens' clients, irrespective of the business lines, are now able to easily access all the payment providers and technologies available in any market. Sapiens and Imburse cover both collections and payouts, insurers can supercharge their offer in key areas such as premium collection, claim payouts, vendor payments, or rewards and loyalty payments.

Imburse brings the variety of payment methods insurers need to ensure they provide their policyholders with the best-in-class payment experience, boosting customer satisfaction and retention. With the Imburse platform, insurers can speed up time-to-market for new products and future-proof their payment systems while reducing costs in integrating with payment providers and technologies.

Aside from being able to easily integrate with any payment provider or technology in any market, insurers can also use our payment capabilities to optimize their systems. Capabilities such as multi-tenancy architecture allow for managing complex multi-business lines, ideal for insurers operating in various markets with multiple affiliates and partners. With Imburse's multi-tenancy, insurers can offer a customized yet uniform experience to all their affiliates and partners without worrying about system integrations and reporting structures.

Imburse tooling can be easily integrated into the Sapiens tooling, offered through portals, or integrated into the insurer's core solution through APIs. This means that no new portals or logins are required. The partnership between Sapiens and Imburse enables fast deployments and zero operational impacts, accelerating insurers' digitalisation efforts.

Sapiens provides a complete insurance platform, with pre-integrated, low-code solutions and a cloud-first approach that accelerates customers' digital transformation. Sapiens offers insurers across property and casualty, workers' compensation, and life markets the most comprehensive set of solutions, from core to complementary, including Reinsurance, Financial & Compliance, Data & Analytics, Digital, and Decision Management.

## 6

## THE FUTURE ROLE OF PAYMENTS

Payments are an essential part of insurance, which can't be neglected. The payments industry has changed drastically and quickly over the last few years, particularly during the pandemic. It is more crucial than ever to catch up with payment innovation and meet customers' payment preferences.



### What are the biggest trends in payments for insurers?

#### Cashless payments

The most significant trend we have experienced was the move to digital. **91%** of the global population is expected to own a smartphone by 2026<sup>(14)</sup>. As customers adopt new technologies and integrate them into their everyday lives, they are unlikely to go back, so insurers must meet customers where they are. In 2021, the global mobile payment market was valued at **\$1.786** billion, and it is expected to grow at a CAGR of **35.3%**, reaching **\$6.007** billion by 2030<sup>(15)</sup>. Digital payments will only increase in popularity for years to come. But there are other payment trends worth keeping an eye on.

#### Embedded payments

The embedded payments industry is growing rapidly. In fact, an IDC report<sup>(16)</sup> predicts that **74%** of digital consumer payments globally will be conducted via platforms owned by nonfinancial institutions by **2030**. Embedded payments allow customers to skip the traditional checkout process and pay with a single click.

The checkout process is more streamlined; customers can complete purchases on the same website without being directed to other pages. Aside from making the payments experience more seamless for customers, embedded payments enable enterprises to develop a more unified online customer experience that follows the same branding throughout each step.

#### Real-time payments

Real-time payments are processed instantly. At a time when the need for speed is growing steeply, real-time payments bring much value to insurers and policyholders alike. Aside from the faster and more efficient payments experience that enables policyholders to receive funds immediately, real-time payments would allow

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**74%**

of digital consumer payments globally will be conducted via platforms owned by nonfinancial institutions by 2030

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insurers to gain greater visibility over their cash flow and better manage their liquidity. Data visibility and analysis also play a significant role in compliance with regulations, making detecting irregularities and potential fraudulent transactions easier.

### Having the flexibility to adapt

The trends we discussed are just a small part of the innovation powering the payments and financial services industry. They are expected to continue disrupting these sectors for years to come.

As we have experienced in the last few years, innovation in these sectors is fast-paced, and keeping up with market changes and customer demand can be an instrumental factor to success. The path to digital transformation may be extended and challenging, but future-proofing systems are the best way to ensure competitiveness and continue to delight customers.

That is why having the flexibility to adapt is crucial to always meeting business and customers' needs at all times. Partnering with third-party providers that open the door to new technologies and capabilities means insurers won't have to overuse resources or overstretch their budget. Plus, they can speed up processes and keep ahead of the already fast-paced market. As the market moves faster than ever before, speed can be detrimental to insurers' success.

As the market and customer needs continue to change, new challenges and opportunities will arise. Those who face these challenges with agility and have the right partners and technologies by their side will be able to navigate this unsteadiness and achieve long-term, future-proof success.

### About Sapiens

Sapiens International Corporation (NASDAQ and TASE: SPNS) empowers the financial sector, with a focus on insurance, to transform and become digital, innovative, and agile. Backed by more than **40 years** of industry expertise, Sapiens offers a complete insurance platform, with pre-integrated, low-code solutions and a cloud-first approach that accelerates customers' digital transformation. Serving over **600 customers in 30 countries**, Sapiens offers insurers across property and casualty, workers' compensation and life markets the most comprehensive set of solutions, from core to complementary, including Reinsurance, Financial & Compliance, Data & Analytics, Digital, and Decision Management.

For more information visit <https://sapiens.com> or follow us on LinkedIn.

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