Step in the Right Direction
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Introduction

The challenges facing today’s insurers are not new; they have been on the horizon for many years now:

COMPETITION
- Niche players entering the market
- Global financial services companies maximising on their size
- Reacting to innovation from others (just keeping up)

CHANNELS
- Introducing emerging channels:
  - alliances,
  - affinity groups,
  - direct options…

CUSTOMERS
- Being ‘customer focused’
- Meeting customer needs in terms of products and services
- ‘Building products that you can sell instead of selling products that you can build’

REGULATION
- Support changing regulatory constraints and reporting requirements
- Avoiding fines

Although the need for agility is understood by the business, the existing systems within the organisation are constraining the business’s ability to react, evolve and lead in the market place.

Simple changes become huge pieces of work and are accompanied by huge cost and typically, huge time delays. Product leaders are no longer motivated to “invent” as the infrastructure doesn’t support innovation and this results in market share being lost as the time to offer similar capability is just too long.

The cost of maintaining legacy systems is constantly growing. Access to skilled resources is shrinking and, in some cases, the technology that they are built on is no longer being supported.

Enabling new channels (e.g. Client Self-Service, Web Access) simply adds additional layers to the existing problem.
The Future?

Older systems deliver all aspects of policy administration; however, the system code often combines function with data and process flow and are therefore less resilient to change. The systems of tomorrow will need to separate these concerns:

- Process flows are externalised with the aid of business process management and work-flow solutions,
- Product definitions are externalised for ease of management and innovation by the business,
- Remaining logic (rules, calculations and function) will be managed at a finer-grained level for more effective reuse.

Control is moved to the business with the product management community maintaining the product definitions that they sell. Layers of communication between the business and IT are removed with business users directly managing the Product definitions used to drive the policy administration systems. Effectively, removing IT as the bottleneck.

Where Do We Start?

No matter how difficult or risky building agile business solutions are, IT departments have to start tackling the problem and think beyond ‘band-aiding’ existing systems for the short-term. Insurance companies have to plan to replace the heart of their policy administration.

For those companies that offer limited products across limited lines of business, the answer may well be a wholesale solution replacement with a modern policy package offered by a single vendor, life may be good. However, many companies have to manage a transition from a landscape of disparate solution pieces to a cohesive future architecture that is likely to include components from different vendors offering their ‘best of breed’ solutions.

In either case, it’s worth considering a step-by-step approach to evolve the IT landscape. This document introduces a series of steps to transform the business. We refer to this series as our ‘Step in the Right Direction’ and includes:

- **First Step:** The introduction of a consistent way for the product management community to describe, and manage, insurance products across all lines of business and across all implementations,
- **Intermediary Step:** The introduction of a thin, architectural, layer across your existing policy solutions to allow the company to quote and gain new business across all lines and all policy administration solutions,
- **Final Step:** The introduction of a full policy lifecycle replacement that caters for all lines of business and allows the consolidation of the many disparate solutions.

So What’s The Problem?

If we think we understand the issues and we have a vision for the future, what’s the problem?

The problem is the sheer size of system replacements. The evolution of systems over time have led to IT landscapes that are so big, so complex and so inter-twined that the notion of wholesale replacement is often considered “too hard,” “too risky” and very few individuals/organisations have what it takes to make it happen.

As a result, we have organisations investing in Warehouse solutions to satisfy additional regulatory pressures and SOA’ solutions to provide a means to standardise on the multitude of disparate back-end systems.

These strategies are very sound strategies and cannot be questioned as a means to manage many of the issues of today’s IT departments. However, none of these solutions actually address the underlying problem and, while meeting immediate regulatory pressures and bringing order to the insurance landscape, the Insurance Company is in no better shape to address the business agility requirement that we ultimately recognised as being the original goal.
The Steps…

First Step: Introduction of Product Management

Separating the notion of the Insurance Products sold as an asset that is managed in its own right by the product management business community is a great start to position the company for the future. This step is valid whether the future is the simpler case where a single package meets the requirements or the more complex case where the whole infrastructure needs to be gradually changed.

Introducing the ability to visualise products and making the approach part of the company’s change control process ensures that the business is always in a position to articulate their product requirements for those future policy solutions.

PMW (Product Management Workbench), by SystemizeIT, is a collaborative environment designed to be a ‘single source of truth’ for all product-related requirements. It provides the ability for multiple users to visually contribute to a single repository conforming to a set of governance rules that consistently validates the modelled content.

THE BENEFITS

There are a number of benefits that can be realised by the business from simply taking this first step:

- The notion of separating the product from the systems that support them is introduced.
- Formal product recognition and governance is introduced to the organisation.
- The ownership of this deliverable is firmly positioned within the business product management community.
- A consistent "language" for describing Insurance Products is made available to all areas of the organisation.
- All areas of the business can contribute to the visual evolution / definition of the product and ambiguity can be removed.
- Comparisons can be made between different versions of a product or across different States etc.
- The interface to downstream system maintenance is standardised:
  - Rule / Calculation specifications are managed as separate documents for configuration management.
  - Changes to products are identified, managed and communicated (as part of the product specification report).
Intermediary Step: Common Quoting and New Business

The second step for consideration is the introduction of a consistent layer that fronts the many different back-end systems. The approach is based on a regular SOA (Service Oriented Architecture) positioned for integrating solution components from different technologies and vendors.

The separation of the Product from those backend services is what differentiates this approach from the norm. Having modelled and managed the product definitions externally, IT departments are positioned to provide a consistent layer across all the backend systems. With the right ‘product-driven’ components, the output from the PMW tool can be used to orchestrate this front-facing layer and hence enable more modern technology for interacting with the various channels (e.g. direct with the client, the agents or different technology in the presentation space) without totally replacing the huge investment in the existing IT infrastructure.

Having introduced this layer, rules and calculations can be managed externally from the legacy systems used for storing the policies. The ‘Quote to Cash’ process can be totally driven using flexible process management and the output from the Product Management community. The output from this layer being the agreed policy information that is then passed back to the legacy solution for any ongoing policy lifecycle changes.

THE BENEFITS

This is the first step into improving the IT landscape and provides a number of benefits to the business without exposing them to the total risk of wholesale system replacement:

- It starts by introducing the notion of ‘Product at the core’ (2).
- Requires a front-end to be built that consumes the ‘Product-Aware’ policy execution solution components. The product specification contains sufficient information to know the data involved in the policy, the rules and calculations that need to be executed and the locations where to find all the inputs / outputs.
- The approach reuses the existing systems for downstream processing (e.g. printing, mid-term endorsements, claim processing etc.) via the industry recognised approach for system integration of SOA (3). It is possible to start to switch off logic within the backend systems as it is already being managed in the product-driven layer that fronts the services. This improves the ability to implement new rules or amend existing rules (at least for the ‘quote to cash’ process).

- The introduction of SOA is also a great opportunity to start the separation of process from business function with the implementation of workflow and business process management to orchestrate the backend services (4).
- Consistent look and feel to the sales-side of the business (5).
- Requires a front-end to be built that consumes the product-driven agreements.

Considerations

Although we strongly believe that this is a ‘step-in-the-right-direction’ with the introduction of technology in-line with a future vision, we are still maintaining the old legacy systems.
Final Step: Full Product-Driven Environment

The final step represents the natural progression that builds upon the infrastructure introduced above. With the introduction of the data-owning components (1) comes the ability to replace the existing legacy systems with the introduction of functions to cater for the whole policy-lifecycle. Only then will we start to reduce the ongoing maintenance costs associated with administering the book of business.

The layer of transactional components (2) provide more coarse-grained reusable services that orchestrate across multiple data-owning components as a single function.

THE BENEFITS

The benefit of the approach is that the underlying infrastructure allows the business to deploy new products and/or extend supported lifecycle changes to existing products at any time. The timing is likely to be driven by the original IT landscape and the savings associated with switching legacy systems off.

Ultimately, the business realises a policy administration solution that is

- Fully product-driven with a close partnership between the business and IT.

- The time-to-market is significantly reduced with layers of communication stripped from the delivery lifecycle and the whole organisation talking the same language when it comes to products sold.

- The approach provides traceability and enhanced compliance as the solutions that implements the policy administration is deploying a one-for-one representation of the original requirement (rule/calc) that was identified by the product management community. Once tested and verified, rules, calcs and whole coverages can be reassembled in new product offerings and hence there’s a reduced risk for any new product offering being introduced.

- With reduced time-to-market comes the removal of IT as a bottleneck for product changes and the ability for the business to invent and innovate in the marketplace.
Summary

Whether a company is a candidate for a package solution or a multi-vendor / self-build candidate, there’s no ‘simple’ solution to evolving the IT landscape.

Systemize doesn’t build the policy administration solution pieces that are described in this document. Solution components from business partners, for example, Silvermoon’s Lunos insurance offering and numerous external rule frameworks are available as candidates for contributing to the policy execution environment described.

Systemize, however, does deliver the product management solution that is common across all three steps described in this document. Irrespective of the final IT landscape, there’s real benefit for an organisation to manage their product definitions as a company asset. The fact that, in doing so, opens up candidate solutions that are believed to be some of the most flexible solutions in the industry, is a real bonus.

Systemize is committed to work with any ‘product-driven’ solution provider to maximise the choices available to companies investing in this kind of product management approach. Our work with ACORD to promote the use of Product Diagraming and the introduction of product interchange schemas is intended to extend product management and enable multi-vendor choice for policy administration and product management. PMW is one such solution in the product management space.

Formalising a company’s approach to describing and managing products is a very low-risk first step that adds value to any future IT landscape.

To find out more…

We welcome enquiries and feedback and will always be happy to discuss any aspect of Systemize IT’s solutions or services.

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