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The reality behind SaaS policy admin vendor claims

12 Smart questions that reveal PAS vendor credibility

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eBook



Contents

Introduction 3

12 smart questions that reveal PAS vendor credibility 3

RFI/RPI Phase 4

New product development 4

Smart Question #1 5

Configuration 6

Smart Question #2 6

Integration Capabilities 7

Smart Question #3 7

Smart Question #4 7

Cloud compatibility and upgradability 8

Smart Question #5 8

PAS suitable for scale & product complexity 9

Smart Question #6 9

Understanding Costs 10

Smart Question #7 10

Evaluation Phase 11

References/Client Proof 11

Smart Question #8 11

Implementation 12

Smart Question #9 12

End-to-end Functionality 13

Smart Question #10 13

Data Migration 14

Smart Question #11 14

Proof Of Concept Phase 16

Proof Of Concept (POC) 16

Smart Question #12 16

Key Takeaways For Vendor Selection Success 18

Introduction

12 smart questions that reveal PAS vendor credibility

Making the decision to modernize your organization's Policy Administration System (PAS) is a once in a generation event that few life insurance executives have extensive experience with. In many cases, the legacy systems are more than 20 years old, and the new modern platform should be expected to last just as long—meaning that policies sold decades from now will be administered on the system you choose today, a system maintained by the vendor you decide to partner with.

The long time horizon creates high stakes for the organization, not just in terms of investment, but being able to create the ability to effectively meet tomorrow's business challenges before we even know what they are! This puts significant pressure on executives and their teams to make the right decision.

You've heard all the usual assertions before: our system is rules-based, no-code, configurable, end-to-end, cloud-based, etc. Of course, not all modern policy administration systems are created equal. So, how do you decide on the solution that is right for your organization today, and for decades to come?

It makes sense to look for advice from experts that help insurers make these decisions every day and NOT just once in a generation. At Equisoft, our 25 years of experience helping insurance companies implement policy administration systems, uniquely qualifies us to be able to offer some enlightening tips and insights.

We have compiled 12 specific, smart questions that leaders ask during the vendor selection process to get beyond a company's assertions and unearth the truth about their ability to meet your specific needs. We have thematically grouped the questions and recommend that you ask all vendors these questions in series to drill down into the specific vendor claims.

So how do you ensure you get it right? Following the best process, doing your due diligence, and involving the right analysts are all key pieces of the solution. But even when you do all of that, you're still faced with a difficult reality: every PAS vendor makes the same claims about their solutions, and it can be hard to distinguish fact from fiction.



RFI/RPI Phase

New product development

In competitive life insurance markets, companies are looking to differentiate themselves by offering unique products, product features or services. The expectation is that these can be developed quickly and at low cost, to enable insurers to create significant competitive advantage and added value for their customers.

A key differentiator between vendors is how quickly their solutions and project teams can work with brand new ideas and outside-the-box concepts that will enable your organization to become even more competitive. Or do they simply extend the status quo of making small variations on an existing product?

Many vendors say their system can get new products to market faster than their competitors. And perhaps they can deliver in relatively short timelines—but deliver what? Terminology is important when investigating vendors promises.

Are they talking about implementing significant new products that shift your competitive position or are they referring to new features that enhance the customer experience? Are they making promises about a development process that only involves tweaks in pricing to an existing offering?

Since actual new product builds take much longer and much greater effort than tweaks to existing products it's not surprising that many vendors will focus on how quickly and effectively their platform can perform the simpler tasks. Really, what they are doing is selling you on their platform rather than providing solutions to your unique challenges.

That's why it's important for you to have organizational clarity around how you define a new product. It is best to draw on feedback from all stakeholders' perspectives (including actuaries of course), but also clients, agents/brokers, underwriters, regulators, etc. Make sure the vendors you speak with understand YOUR definition of a new product and answer accordingly.

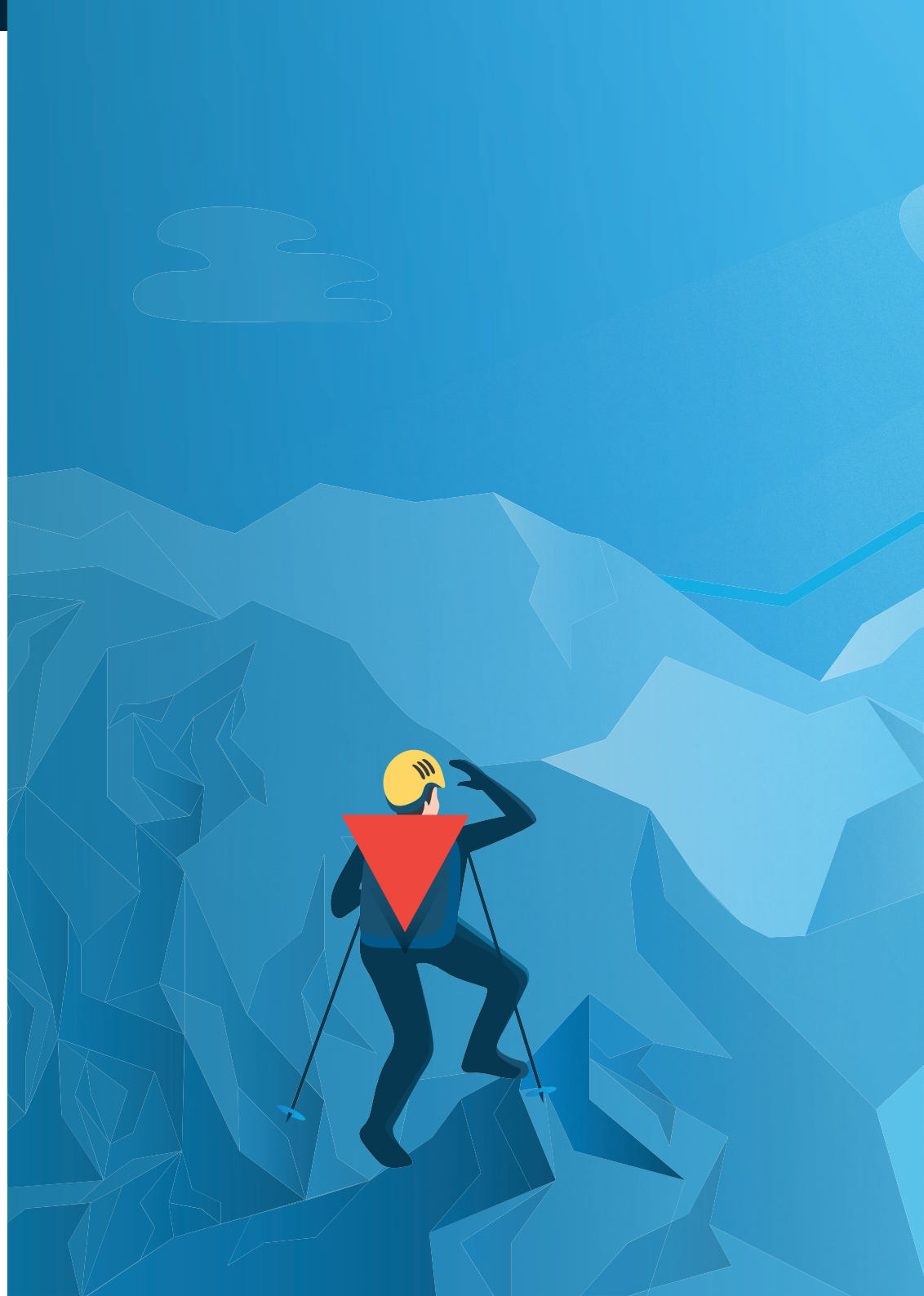
Once you understand your own definition of a new product you can ask the vendor how they would define new product implementation. Look for discrepancies between the two definitions that indicate the vendor is trying to convince you of a capability they can't fulfill. Then, dive deeper and ask the big question that will indicate whether or not the vendor's platform can meet your need to accelerate innovation, increase revenue and cut development time and costs.

Smart Question #1

If you wanted to launch a new product line, a first in the industry, what would be the process and related cost to implement it on your platform?

Or, a related question, that gets to the same result, but from a compliance and cost point of view, might be: If there was a regulatory change, what would be the process and cost to adapt to it – and who would do it? In order to avoid letting the vendor off the hook by answering, "It depends"—be prepared to follow-up with an example of a regulation change and a complex product (like Indexed Universal Life) that might be affected.

All of these questions around the speed of new product development are crucial to understanding the true capabilities of potential vendors. They ensure that you and the vendor are using common terminology and that will help you see past claims that they are faster than competitors, when they are just talking about much smaller initiatives that don't meet the breadth of your needs.



Configuration

Configuration is a hot topic in any discussion of modern PAS platforms. The truth is all systems are configurable—but some more so than others. In order to sift through the jargon and make the best decision about the right system/vendor for your organization, the critical questions you want answered in the RFP process are:

- Exactly how configurable is the system?
- How does this flexible configuration speed up the development lifecycle?
- How relevant are these capabilities to MY company requirements?

To drive to the truth about a vendor's abilities you should first determine your own list of requirements. This large list of criteria that are unique to your situation will be the basis for evaluating potential vendor assertions.

Once you have defined your needs, the simple but smart question to ask to begin to drill down into configuration capabilities would be:

Smart Question #2

What percentage of our requirements can be met through configuration?

You want to configure the modern system to your needs without having to touch the source code. Going into the base code to make changes is not only time-consuming and expensive—but also puts you in a situation where upgrades become more and more complicated.

All systems have some level of configurability, but make sure you understand the implementation effort: if a large portion of the work is to modify base code, then there is a good chance that you are getting a unique version of the software. And that can mean more work and greater expense for you.

Ideally, insurers seek to become independent of their modernization vendor as fully and as quickly as possible. It does a company no good to implement a new system and then continue to rely on the vendor for product changes. Instead insurers seek flexibility to use system integrators if they need support, ensuring they aren't permanently tied to a vendor, and their cost or timing mandates. In an ideal world, insurers wouldn't necessarily have to use the vendor for anything, other than infrequent base code changes.

The bottom-line is, if the vendor's solution can't meet the majority of the requirements you've identified without base code changes, they likely aren't the right partner for you. Asking the questions in this section to understand configuration realities early in the selection process enables you to move on to other more appropriate vendors and focus your selection efforts on the best candidates.

Integration Capabilities

Policy Administration Systems don't function alone. They are part of the new, complex world of expert services, client and broker access to information, 24/7 access to services and the free flow of data. With all these competing constituents for the PAS, you need a solution that is a "service hub" and "secure, yet open" to the outside world, in addition to just having flexible configuration.

Many vendors will suggest that their solution integrates with the other services you require. But to fully understand the truth behind that assertion, dig deeper before or during the RFP by asking:

Smart Question #3

Can you describe how your system connects with our partners' systems and give specific examples: i.e. data aggregators, expert UW, reinsurers, third party data services to enhance our services, brokers, client portals or apps?

A robust administrative service architecture will provide you with the confidence that the policy administration system is the hub, and the spokes are your services. All these services should be allowable on-demand or in batch format for ultimate flexibility. Real-time access or inquiries from your PAS to the outside world is a key piece of a modern architecture that allows you to leverage third party services for what they do best, in the ever-expanding insurance IT ecosystem.

Once you understand the vendor's integration capabilities, the ultimate follow-up question you want answered is:

Smart Question #4

Is it possible to become fully independent once the implementation is done?

But to accurately assess how possible full independence may be, there are a number of specific questions you can ask. Things like:

- Is the platform open for system integrators to support us 100%?
- Is it possible to not use the PAS vendor if you chose

A high level of autonomy that enables your business units to make product changes without having to involve the vendor is crucial to speeding innovation and reducing costs. The set of questions in this section are vital to your success because they are true indicators of the independence you will have once you implement the vendor's platform. These questions are predictors of how nimble your organization can become or how limited your responsiveness will be if you select a certain vendor.

Cloud compatibility and upgradability

The past three years have seen a remarkably quick change in insurers' attitudes towards cloud-based solutions. Prior to that, the idea of the cloud was often discussed, but just as often dismissed as unnecessary, risky, or not mature enough to support enterprise-scale operations.

Today, many insurers are looking for SaaS-based, cloud solutions. They seek to reduce costs associated with licensing software, hardware, DR cost, as well as reaping the benefits of increased scalability, accelerated development of new products and lower IT involvement.

However, not all cloud solutions are created equal. Some are upgraded regularly with minimal insurer involvement. But not all. Additionally, solutions may not be consistently applied across a vendor's client base. It could be that a vendor has multiple versions of its solution in market, juggling upgrades and maintaining a variety of more or less advanced releases.

The ideal scenario, is to work with a vendor who makes regular upgrades and implements them across all clients at the same time, ensuring that you'll always be at the forefront of development.

To avoid being caught with an aging version, the critical question to ask before or during an RFP is:

Smart Question #5

Do all clients share the same source code?

Follow-up questions which will reveal a vendor's ability to innovate and ensure new developments are available to all clients include:

- How does your software delineate between client rules and source code?
- How many clients have upgraded in the last two years?
- How many clients have never upgraded?
- What is the total number of clients in production?
- What is the total number of clients on the latest version of the software?
- If all clients aren't on the same version, how many versions are there?
- How frequently does your SaaS platform get upgraded?
- At what cost to clients—and long does it take?

Each one of those questions will reveal nuggets of information that will ensure you select the vendor that is right for you. Together they give you a clear picture of how up to date the vendors solution will be and how frequently it will be upgraded—so that you can avoid purchasing a modern PAS that becomes a legacy system almost as soon as it's implemented.

PAS suitable for scale & product complexity

Insurance policy administration systems operate on a large scale—no matter what size insurer. And, given that the solution you choose will be in use for 20 years or more, you should be looking for a system that is robust enough to handle your current and historical business, plus future growth.

To identify vendors who will be around to support you over the long term, you want to determine:

- Will the system perform at scale? (Do performance issues crop up when the system has to administer a million policies?)
- Does it address the complexity of the products? (There is a big difference between a PAS that can deal with a million simple term policies with no riders vs 100,000 policies with variable investment components for High Net Worth individuals)
- Will the vendor still be around in 5 years? 10 years? 20 years?

The simple, smart question which drives to the heart of what you need to know is:

Smart Question #6

How many policies do you have in production across all your clients?

The answer to this question is a clear indicator of the maturity and robustness of the system. It tells you if this is a serious system or mostly theoretical.

The most important thing about a policy administration system, is its stability and functionality, at any scale. A recently introduced PAS that has very small numbers of policies in production is not appropriate for mid-tier and larger insurers. The lower the number of policies on the systems, the higher the risk you will be taking on and the lower ROI that will be recognized over time.

Start-up companies can have great technology, but if there are only a thousand policies in production, their enterprise-level capabilities can't be proven. The vendor may have a great story to tell, but behind the scenes, the reality may be that their platform is really just a prototype that has never been tested at high volumes with highly complex lines of business.

Flexible rules combined with flexible administrative architecture will speed up your development timelines and enable you to experience a faster return on the new investments you are making. But the key will be scaling these bright shiny new features across all of your business—in a stable manner.

The above questions paint a real picture of the scalability of the proposed solution, it's stability and the likelihood that the vendor will be around to support the platform over its expected lifetime. Once again, if you don't ask these revealing questions, you run the risk of making a once-in-generation decision that can lead to disruption, unrealized benefits or even the cancelation of the project if technologies and vendors don't perform.

Understanding Costs

While many vendors will make general statements about their solution's ability to reduce costs, the best way to uncover the truth about their claims is to see how well they understand your specific costs.

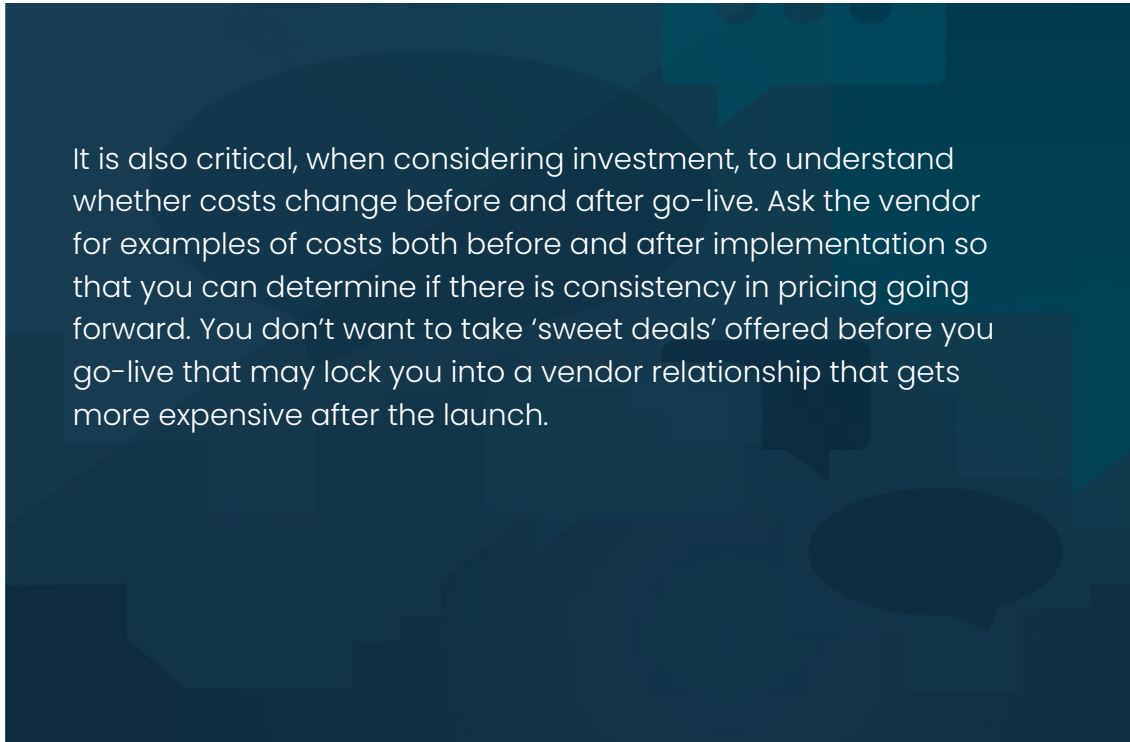
Smart Question #7

How can this system help reduce my per policy Cost of Operations?

Follow-up with:

- List the costs you can impact and describe how they will be affected.

Having clarity around this question will demonstrate if a vendor has done some homework to accurately understand your cost drivers. For instance, do they understand whether you are currently hosting your own data center or outsourcing your IT processing?



It is also critical, when considering investment, to understand whether costs change before and after go-live. Ask the vendor for examples of costs both before and after implementation so that you can determine if there is consistency in pricing going forward. You don't want to take 'sweet deals' offered before you go-live that may lock you into a vendor relationship that gets more expensive after the launch.

Evaluation Phase

References/Client Proof

The most critical aspect of choosing the right vendor is proving their claims by speaking to clients. We suggest that you ask, not just vendors, but all references, the questions we've identified in this eBook. What the vendor may tell you is interesting, but it can't necessarily be trusted until it is corroborated by actual client experiences.

When it comes to asking the vendor for references, don't just settle for the usual three. Pretty much everybody can deliver three happy clients who would be eager to say kind things about a vendor that they hope will stay in business to support their own projects.

So, in order to really prove the vendor's assertions, it's important to do two things:

First, ask for more references than they may be comfortable providing:

Smart Question #8

Can you provide 5+ references we can talk to?

The vendor's ability and WILLINGNESS to provide that many references will tell you a lot about how open they are and how much anxiety they have about what you might hear.

Secondly, don't' settle for just those five references. Look to identify the vendor's entire client base if you can. Use LinkedIn, your network, industry analysts, and whatever methods you can to find and speak to as many of the vendor's clients as possible. The more companies you speak with, especially those not 'sanctioned' by the vendor, the more accurate your assessment of the reality behind their assertions.

Asking these questions gives you a view into the vendor's true history that few companies ever get. Pushing the vendor beyond their comfort zone and investigating clients they would not naturally put forward gives you the clearest picture of both the good and bad aspects of prior projects and relationships. This is information that can inoculate you against problems that have already cropped up in the past.

Implementation

No two policy administration system replacements are the same. Companies vary in size, age and complexity of their business, and systems that support the business. These factors (YOUR factors) are the key requirements of your modernization journey. It is most valuable for your organization to find reference checks who most closely match your own situation. What they have to tell you will be most revealing about what the vendor will be able to do (or not do) for you.

So, when you speak with a vendor's clients, try to understand their situation before, during and after the replacement as much as possible. Drill down on the reasons they chose the system/vendor, what their requirements were and what the scope of the implementation was.

Talk to a client who's been live for more than 3 years if you can. They will have insights into what you can expect from the system and the vendor after implementation.

One of the critical things to understand is that the number of interfaces has a big impact on an implementation. Drill down to understand the detail of what the vendor did for the client and how the process worked.

Smart Question #9

What was the implementation timeframe for each of the clients you've given us as references?

Don't stop there. Keep digging and ask:

- What was the size of the team working on the implementation?

Ask the vendor to describe the implementation team by roles. Larger teams often increase cost of projects because of the additional meetings and longer decision-making process required. If possible, meet the senior team members, like solution architects and project managers. Make sure the company does not rely on any ONE individual. Don't be impressed by the size of the company, instead by the number of experts who will be working on your project.

When you speak with the team probe to find out how they worked on the project. Were decisions made by committee versus individual leads? How does that relate to the way your company works? A mismatch can be indicative of future frustrations if decisions can't be made as carefully or as quickly as you need.

These questions enable you to understand the working style, levels of support and cultural fit you can expect during the implementation. They give you an idea of what you might encounter when challenges arise, deadlines loom or benefits aren't being realized. And they preview the types of expertise and experience the vendor will bring to the project—which is a predictor of how effectively rough patches can be navigated.

End-to-end Functionality

A lot of new vendors will claim to have many clients, but most of the PAS replacements they implement are only concerned with a subset of the total back-office functionality. It's important to double check vendor assertions to understand the footprint of the solution each of their client's use.

Smart Question #10

Can you provide examples of clients where you have implemented an end-to-end functionality?

Do not stop there, make sure you ask the vendor if the implementation included commissions, agent management, new business and underwriting, billing, claims, policy admin, reinsurance, etc.? This question will help you uncover if they are the real deal or a part-time player who can only address a fraction of your overall needs.

Part of your evaluation of each vendor who has made it this far in the selection process should be to ask these pointed questions about which elements of back-office functionality they can address. Ultimately, you don't want the scope of your long-term transformation to be defined by the vendor's lack of end-to-end capability rather than your business requirements.



Data Migration

Data migration is often a secondary consideration when planning a modernization project. It is sometimes seen as something to be dealt with later, after the new system is live. Many companies feel it can be accomplished in-house, using existing tools their IT staff are already familiar with.

But time and time again, migration either doesn't happen or happens but doesn't work:

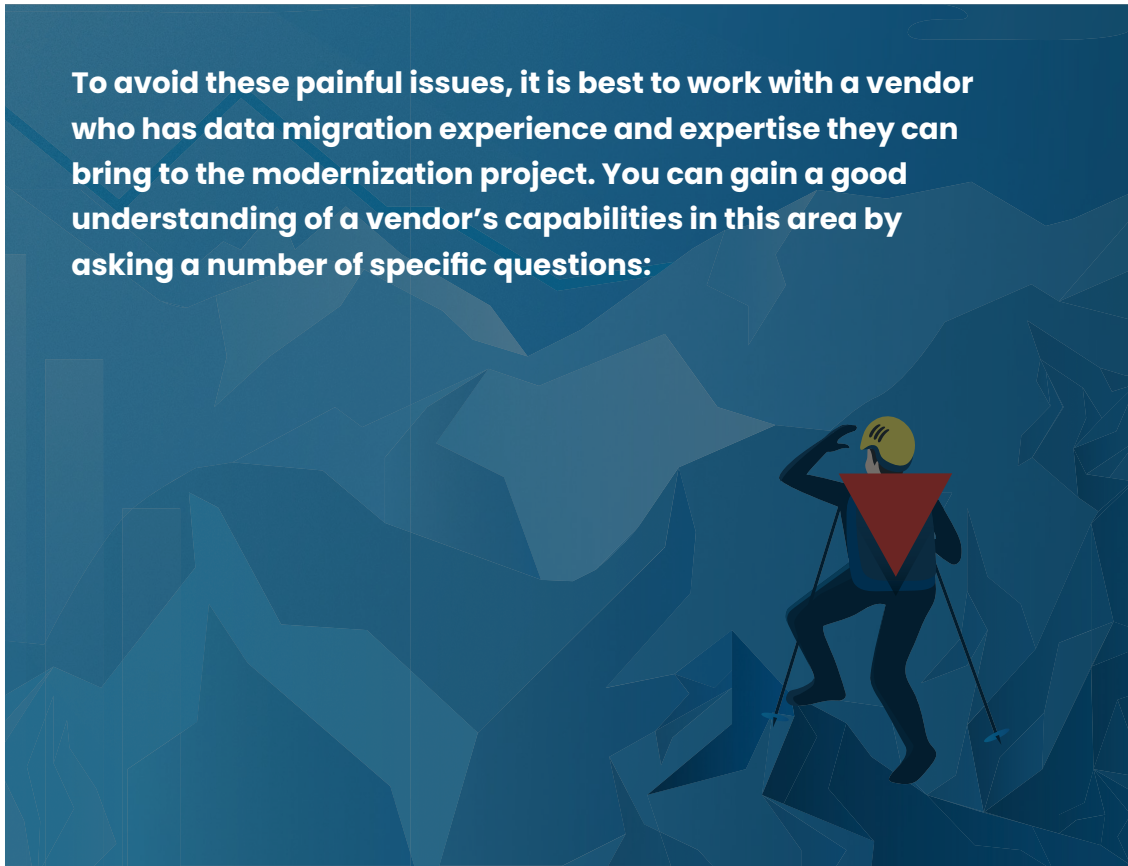
1. Migration doesn't happen:

- Because data migration/consolidation is not considered, planned or budgeted for early in the modernization process, it doesn't get done. Money runs out. Resources aren't available.
- If data is not migrated off legacy systems, those systems can never be retired, defeating modernization drivers, leading to further proliferation of back-office systems and preventing you from realizing the ROI you had planned for the entire modernization project.

2. Migration doesn't work:

- Companies try an in-house approach to migration and run into problems. Like modernization, data migration is a fairly rare event in a career. Not many IT staff have a lot of experience with it. That makes it hard to anticipate problems that can crop up during migration.
- Issues arise in Data Extraction, Cleaning, Loading and Configuration. Delays put a company behind schedule, budget is being eaten up and executives get nervous. No one can clearly answer where the project is in terms of progress, and when it will be complete.

To avoid these painful issues, it is best to work with a vendor who has data migration experience and expertise they can bring to the modernization project. You can gain a good understanding of a vendor's capabilities in this area by asking a number of specific questions:



Smart Question #11

Don't stop there, ask the vendor to provide you 5 data migration references. In addition, to gain the necessary insight into how a vendor approaches consolidation and what results they achieve, you must ask the following:

- How many data migration projects have you done?
- How many different PAS systems do you have experience with?
- How many L&A insurers have you worked with?
- What was the success rate?
- What are the tools that will be used to extract the data?
- Would you be willing to do data migration for fixed costs?
- Who does the data migration--the vendor or another partner?
- Who at the vendor does the data migration?
- Who does the extract?
- Who does the cleansing?

*** Note:** these are critical questions because they expose areas of significant risk. If possible, it's good to actually meet with team members who would be involved in your migration. If the consolidation is being handled by an IT person with an Extract, Transform and Load (ETL) tool, it's likely things will be missed during the process. They may know how to use Informatica, but probably lack experience working with insurance data—opening up the risk of failure because of preventable issues like those caused by undocumented changes (e.g. rate changes) that can easily be missed, causing the new configuration not to work.

We have also found that if you use a different vendor for integration and migration, that is pretty much a guarantee of problems to come. And when the inevitable challenges arise, infighting begins. The data people say the config is wrong. Config points fingers at the data side. Meanwhile the timeline is slipping, budgets are being drained and executives are getting anxious.

Ask the vendor all of these questions, but also ask them for references to clients who they did data migration for as part of the PAS replacement. Ask the same questions of the references to validate what you are hearing from the vendor.

Proof Of Concept Phase

Proof Of Concept (POC)

A key question facing many organizations as they move through the latter stages of the vendor selection process is: "Should we do a POC?"

Smart Question #12

Can you share examples of Proof of Concepts you have participated in?

This question is important because it demonstrates both vendor engagement, as well as capability. That's because of the very broad scope of POCs. In some cases, they can be little more than an extended demo running over a few hours. At the other end of the spectrum, we've seen vendors engaged in 5-day presentations to as many as 200 people.

Where your company falls in this spectrum, depends to a degree on your size and willingness to accept the time and financial implications of a large POC. Whatever your situation, keep in mind that modernization is a generational decision that your organization will live with for at least twenty years. Give it the time and attention it deserves.

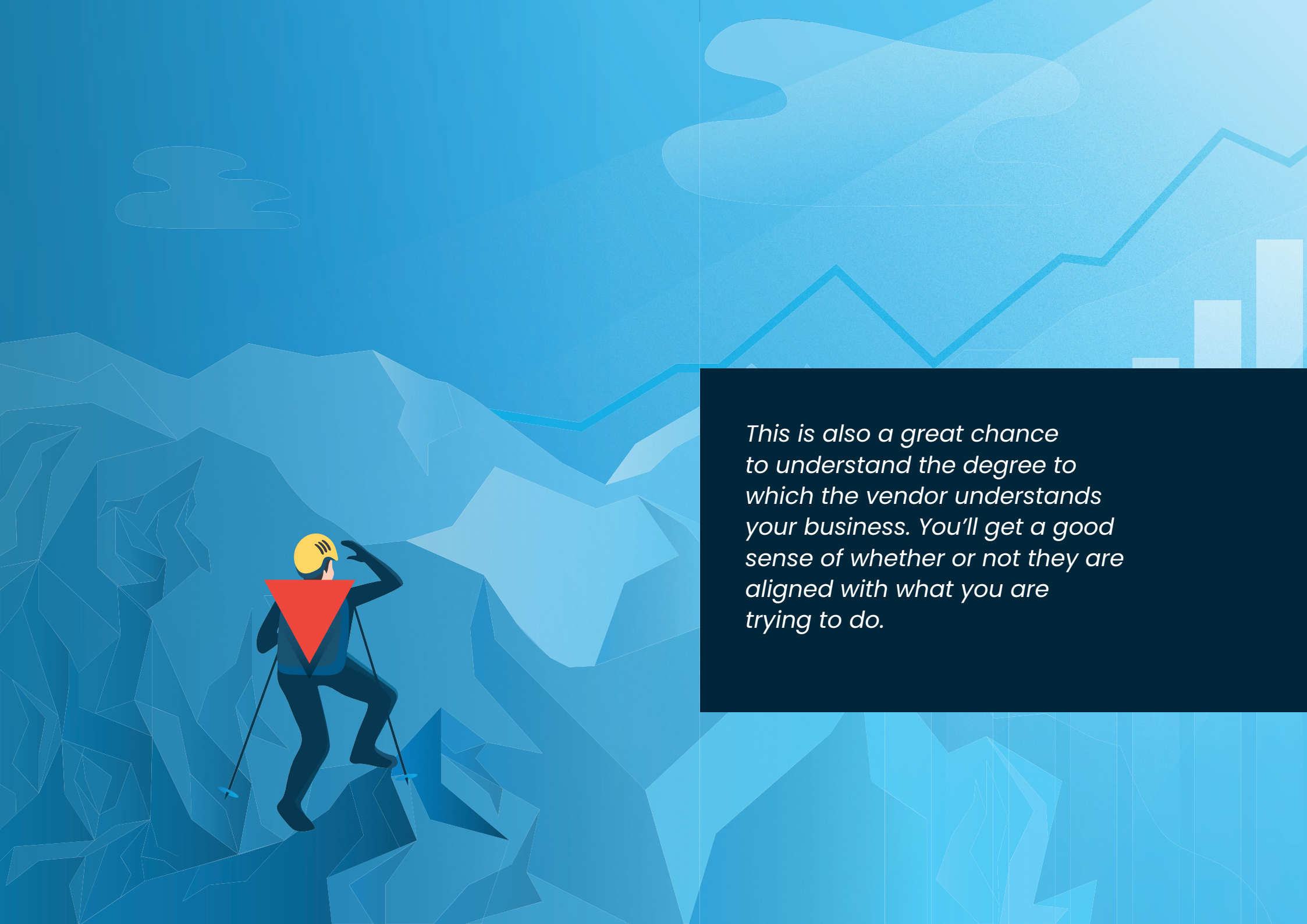
We recommend clearly identifying your unique requirements and validating the vendor's claims that they can easily be accomplished on the platform by completing a comprehensive POC.

Make sure your POC covers capabilities that you haven't been able to see during the sales demos. Include:

- Features unique to your environment, country, and region
- Highly complex business processing, calculation, volume testing, etc.

And, since you may be asking a lot of the vendor—perhaps weeks or months of prep time—earmark budget to pay them for the completion of this step. Not only is it fair, but it confirms your own executives' commitment to the project, as well as discounting any vendor excuse about not having time or resources to deliver. The process of the POC can be revealing about a number of important things you can't understand from RFP answers or reference checks.

You should treat the POC as if it's Phase 0 of the implementation. Meet the staff who would be involved because they are a significant consideration in your decision to go forward. If you can't work easily and effectively with them, or you find your companies' cultures are at odds, then don't subject yourself to that pain for the next 2+ years.



This is also a great chance to understand the degree to which the vendor understands your business. You'll get a good sense of whether or not they are aligned with what you are trying to do.

Key Takeaways For Vendor Selection Success

As I've stressed throughout this eBook, policy administration system modernization is a generational event—and can be a career-defining decision. It deserves as much attention and careful consideration as you can give it, because the ramifications of whatever you decide will have impacts on your organization for decades to come.

Go beyond the table stakes vendor selection process and the typical questions that vendors are used to and prepared to field. Ask the surprising, tough questions that make them uncomfortable because they reveal the truth about their capabilities.

Make sure to always be clear in defining terms (like NEW product), take the time to involve all the stakeholders in your organization, and build a collective set of comprehensive requirements. Use those requirements to evaluate each vendor's capability to meet your unique needs rather than a generic set of attributes.

And, most importantly, talk to all of the vendor's clients you can to uncover proof of vendor assertions. Ask them the same questions you've asked the vendor and push to get a detailed understanding of what actually happened—and what didn't.

The work you do today—the smart questions you ask vendors and their clients—will pay off for years to come.

To find out more about ensuring the success of your transformation projects check out our other eBook in this series:

Kick Off a PAS Modernization Project, the Right Way



4 Critical Resourcing Decisions that Ensure the Success of your PAS Modernization Project



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Have questions or want to request a demo?

Contact us at info@equisoft.com to learn more about Equisoft's solutions for insurance, wealth management or data migration

Email Us

About Equisoft

Equisoft is a global provider of advanced insurance and investment digital solutions, recognized as a valued partner by over 278 of the world's leading financial institutions. We offer a complete ecosystem of end-toend and scalable solutions that help our clients tackle any challenge in this era of digital disruption. Our business-driven approach, deep industry knowledge, innovative technology, and expert teams help our partners solve their biggest, most complex problems.

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