![equisoft logo] **equisoft**

BUSINESS-DRIVEN INNOVATION

How to Implement Successful

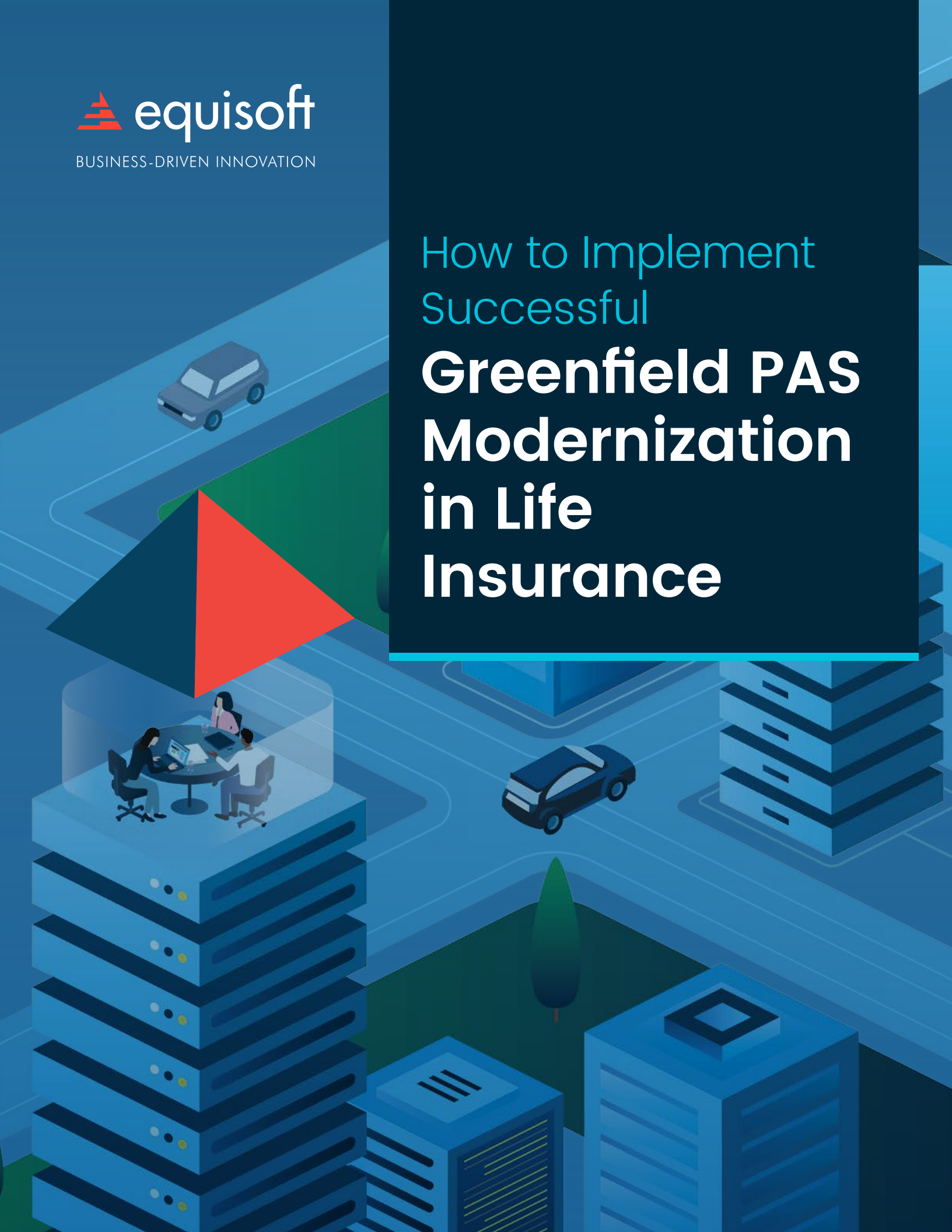# Greenfield PAS Modernization in Life Insurance

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What is Greenfield PAS modernization?

Policy administration system (PAS) modernization is a key element of life insurance carriers' digital transformation plans. Unfortunately, traditional PAS modernization projects that involve data migration from legacy systems are complex, expensive and can take years to complete.

'Big Bang' projects have fallen out of favor with carriers seeking to accelerate their digital transformations and realize business value more quickly. The current trend is towards standing up new products and going to market as quickly as possible.

The potential to realize rapid ROI has made 'Greenfield' PAS modernization the dominant approach to new product development for life insurance carriers engaged in digital transformation.

The Definition of a Greenfield PAS

Greenfield policy administration system modernization involves implementing a new core system and deploying a new product, without retiring the legacy systems at the same time.

Unlike the outdated 'Big Bang' approach, in which data is migrated off the various legacy platforms and consolidated onto a new system, Greenfield keeps the old systems running, doesn't touch the data, and starts putting new business on the new system right away.

In a Greenfield approach, instead of modifying existing systems, the new platform is created from a clean slate without the need for new code to be written and with no restrictions or dependencies on legacy tech. This allows insurers to create an open environment for integration with innovative Digital Insurance Technologies that streamline new business and underwriting processes.

What are the benefits of Greenfield vs Big Bang modernization?

The biggest benefit of taking a Greenfield approach to PAS modernization is that it allows insurers to break free from the constraints of existing infrastructure and quickly introduce new products and services to the market. In most cases, new products can be stood up in a matter of months.

This increased speed-to-market gives insurers much greater flexibility in how they respond to customer demands, market fluctuations and regulatory changes. Greenfield development can enable carriers to realize value from their investment much more quickly than was possible with traditional modernization approaches.

> **Carriers are choosing to go with Greenfield instead of incremental change because it allows them to build a configurable system, while also optimizing their speed to market. Those two benefits really allow the carriers to differentiate themselves.**

Chip Bircher
Head of Life Insurance,
Aite-Novarica Group

When done well, Greenfield can deliver increased efficiency, reduced costs, improved customer experience, and enhanced data analytics capabilities. And cloud optimized PAS enable insurers to offer their customers value-added, contactless, and mobile-enhanced services - that can scale as the business grows.

How to successfully implement a Greenfield Policy Administration System modernization

Implementing a Greenfield policy administration system, while smaller in scope than a traditional 'Big Bang' modernization, still requires careful planning and execution to ensure success.

The checklist below covers the major activities that need to be executed before and after the new system implementation:

Assess the current policy administration systems and identifying pain points

▶ Assess current legacy system capabilities

▶ Identify pain points and areas of concern
  ▶ Gather feedback from all stakeholders, including IT staff, business unit staff, customers, agents, distributors, finance, etc...

▶ Identify objectives for overall digital transformation
  ▶ These needs are the requirements any new PAS needs to be able to deliver on

▶ Develop a transformation roadmap that addresses these requirements

▶ Define the scope of your initial Greenfield Minimum Viable Product (MVP) initiative (as part of the larger transformation plan)

▶ Conduct a cost-benefit/ROI analysis of the MVP initiative

Evaluate potential solutions and select a modernization approach

- Evaluate the solution's features and capabilities.
  - Does it align with your requirements?
- Assess the system's ability to handle new business and underwriting, policy administration, claims management, and billing functions.
- Assess the solution's scalability, flexibility, and integration capabilities to ensure it can adapt to the organization's changing needs over time.
- Evaluate the implementation cost and timeline.
  - Including required hardware and software, cost of customization, and the expected timeline for integration.
- Assess system ease of use
- Assess cloud-hosting, SaaS capabilities

Select the right PAS vendor-partner

- Evaluate potential vendors' capabilities and experience in implementing similar projects.
  - Review their references (More than 3) to ensure they have the expertise to deliver the desired outcomes.
- Conduct a proof of concept (POC)
- Assess the vendor's technology stack, development methodology, and project management approach to ensure they align with your organization's needs.
- Assess the vendor's cultural fit with your organization.
  - Consider communication style, responsiveness, and willingness to collaborate with your internal team.
- Evaluate the vendor's pricing, SLAs and contract terms to ensure they align with your budget and requirements.

Develop the project plan and timeline

- Establish a project team and define roles and responsibilities.
  - Key roles include project manager, business analysts, system architects, QA staff, business unit SMEs.
- Define project objectives, scope, and deliverables.
  - Identify the systems and processes to be modernized, defining key performance indicators, and establishing a timeline for each project milestone.
- Identify potential risks and develop a risk management plan to minimize their impact on the project.

Build a cross-functional team to oversee the project

- Identify key stakeholders from various departments
  - Include IT, operations, finance, and customer service.
- Establish regular communication channels and progress reporting to ensure all team members are informed and aligned with the project's goals and timeline.
- Assign clear roles and responsibilities and establish a culture of collaboration and accountability.

Testing and rolling out the new system

▸ Conduct comprehensive testing of the new system to ensure it meets requirements and expectations.

    ▸ Includes unit testing, integration testing, performance testing, and user acceptance testing.

▸ Develop a rollout plan that ensures a smooth transition to the new system.

    ▸ Implement a phased rollout to minimize disruption and ensure a smooth transition.

▸ Monitor the new system's performance and user feedback to identify any areas for improvement.

Training staff and communicating changes to customers

▸ Develop comprehensive training materials and provide training to staff.

▸ Ensure they understand the new system's functionality and how it differs from the old system.

▸ Communicate changes to customers and stakeholders to minimize disruption and ensure a smooth transition.

▸ Establish a support plan to address any questions or concerns that customers may have during the transition.

4 success factors for Greenfield PAS modernization

Greenfield modernization gives carriers the chance to quickly create an agile digital ecosystem that delivers on customers' heightened expectations and is responsive to market and regulatory change.

In order to maximize the value this approach brings to the organization, consider three critical elements:

Success Factor 1: The importance of aligning Greenfield with larger digital transformation plans and objectives

Although the Greenfield project may be a Minimum Viable Product initiative, it should be planned within the context of the company's overall digital transformation plan.

This type of strategic approach involves hosting in the cloud, working within a SaaS model and integrating with internal and external systems that support scaling up the solution as future phases of the overall transformation plan are implemented.

Don't ignore the eventual need to migrate legacy data and retire the old policy admin systems. When the cost-benefit results indicate the old systems no longer make sense you will need a plan for dealing with your data. Planning and budgeting for this eventuality reduces risk when the time comes for migration.

Success Factor 2: Shift to digital thinking

Moving to a digital-first PAS framework for all back-office processes is a cornerstone of insurance modernization. But modernizing your technology without also leaving legacy thinking and processes behind will really reduce the effectiveness of the initiative. It's really only half a transformation.

When implementing a new core system, re-evaluate all the processes that the legacy system used to support. Look for opportunities to delegate manual tasks to automation. Consider how the new PAS' capabilities can reduce the number of steps and the time and expertise required to create new products, make product changes or reinvent reporting processes. Consider how a digitally enabled Greenfield approach can enable you to improve CX by providing customers with value-added, contactless, and mobile-enhanced services.

Success Factor 3: Build a flexible system that can evolve with changing business needs

When taking a Greenfield approach, it is crucial to design a flexible PAS system that can evolve as business needs change. Product needs will shift over time, new regulatory requirements will be introduced, and customers are always expecting more, so the new system must be able to adapt in order to continue delivering business value.

Flexibility is determined by the design of the PAS you select and the capabilities of the vendor/partner. Low-code, no-code systems that reside in the cloud and run on a SaaS model create faster, are less costly to adapt to market changes and make scaling the business easier.

Open integration frameworks and APIs allow insurers to benefit from the latest cloud services and easily integrate their systems with third-party platforms. This can help insurers innovate and roll out new products and services quickly and effectively, adjust pricing, or comply with regulatory changes.

It enables more efficient integration with other systems, such as underwriting, claims, and finance. This integration enables seamless data sharing and increases the speed and accuracy of transactions, leading to better customer service and increased productivity.

Success Factor 4: Ensure buy-in from all stakeholders

Ensuring buy-in from all stakeholders for a Greenfield modernization project can be a challenging task. Here are some steps you can take to improve your chances of success:

Identify all stakeholders

Look beyond just the execs who will approve funding for the project. Identify all stakeholders who will be impacted by modernization, both internal (such as business users, IT staff, project sponsors) and external (such as customers, distributors, advisors and technology partners).

Develop a business case

Often in PAS modernization projects it is difficult to show positive ROI in the short term, so you may need extend the time horizon of the business case and also include less tangible benefits, such as increased agility and responsiveness to market changes.

Clearly communicate the benefits of the modernization project to all stakeholders.

Clearly explain how the new PAS will improve efficiency, reduce costs, enhance customer service, and ensure compliance with regulatory requirements. Make sure to continue to reinforce these targeted benefits and update all stakeholders as the project progresses. This will help build trust and maintain engagement throughout the project lifecycle.

Involve stakeholders in the process

Engage stakeholders in the planning process as early as possible. Ask for their input on requirements gathering, solution design, and user acceptance testing. This will give stakeholders a sense of ownership and investment in the project. Address stakeholder concerns in the plan. Set priorities and develop contingencies for dealing with possible challenges.

Conclusion

The Greenfield approach offers insurers a faster way to begin core system transformation compared to traditional Big Bang approaches. It provides the opportunity to start putting new business on a modern PAS, begin realizing the benefits of that more agile digital ecosystem, and support the needs of their customers and the changing market. By embracing this approach, insurers can stay ahead of the competition and deliver superior customer experiences. So long as the Greenfield initiatives are integrated into the overall enterprise plan for digital transformation, the more manageable modernization projects should lead the company more quickly towards their vision for digital insurance.

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