

Timely advice Before Starting Your Policy Administration Modernization Project



Founded in 1994, Equisoft is a global provider of advanced digital solutions in life insurance and wealth management.

Recognized as a valued partner by over 50 of the world's leading financial institutions in 15 countries, Equisoft offers innovative front-end applications, extensive back office services and a unique data migration expertise. The firm's industry-leading products include CRM, financial needs analysis, asset allocation, quotes and illustrations, electronic application, agency management systems, as well as customer, agent and broker portals. Equisoft is also Oracle's main global partner for the Oracle Insurance Policy Administration platform.

With its business-driven approach, deep industry knowledge, state-of-the-art technology, and a growing team of over 350 specialized resources based in the USA, Canada, Latin America, South Africa and India, Equisoft helps financial institutions tackle any challenge in this new era of digital disruption.



Timely Advice Before Starting your Policy Administration Modernization Project

The need for modernization is well understood by Life Insurance executives. The entire industry is being challenged by the intersecting forces of significant technological upheaval, increasing regulatory change, as well as heightened customer expectations. These drivers are motivating enterprises to modernize in order to increase business agility, make higher-quality decisions and increase the speed and effectiveness of product development.

To do this, companies need access to all of their vital data—which can be a challenge when faced with outdated infrastructure evolved over years of consolidation of different companies and systems. Some organizations face risks associated with supporting those legacy systems (especially when many staff with the experience to maintain that infrastructure are nearing retirement age), and all insurance organizations are challenged to create a better digital experience for their customers even though the legacy systems make it difficult.



Modernizing a Policy Administration System: A Career Defining Challenge

The further complication is that policy administration modernization projects are so complex, and have such a large potential impact (both positive or negative) on an enterprise that they tend to be career-shaping events for those charged with managing the process. The reality is that most executives will take on projects of this scope only once or twice in their career. So, for most leaders, the initiative is often very much a step into the unknown.

That's why we've created this guide to the pre-implementation, vendor selection phase of policy administration modernization—to share our advice on what works and doesn't work, what to avoid, and what to do right away—based on the 20 or more modernization projects we've worked on or are currently working on in 15 countries around the world.

Bridging the gap to Modernization: The Efficient Vendor Selection Roadmap

In our experience, we have found that the initial exploration and vendor selection process in a policy administration modernization project goes through eight stages:

- 1 Business Kick-off
- 2 RFI/RFP
- 3 Software Evaluation
- 4 Implementation Evaluation
- 5 Demos
- 6 Shortlist
- 7 Proof of Concept
- 8 Project Approval

Read on to see what's involved in each step, and how our experience can help you find shortcuts and avoid pitfalls.

1

Business Kick-Off

In this first, exploratory phase of the process, both IT and Business Executives begin to informally gather information through online research, conferences, and talking with experts or partners.

To ensure agreement amongst stakeholders and alignment with the corporate vision, it is important to define the overall strategy for policy administration modernization—then identify the key goals and priorities (e.g. increasing conversion or developing new products) which will guide the organization through its transformation.

Tip: Involve key stakeholders right from the beginning

In many companies, this initial exploration is conducted by IT staff. They may spend as much as a year or two gathering data on potential solutions. Not surprisingly, they tend to look at each new opportunity through the lens of technology – and in the context of the current state of the company's IT infrastructure.

What gets missed, sometimes, is that the solutions available on the market are very different from one another and they all

have gaps in certain areas. This means enterprises should have operations and business people involved from the beginning so that they buy into the vendor selection process and the problems that need to be solved.

Involving key stakeholders early in the search process helps setting the right level of expectation for demos later on and gives everyone confidence that the selection team has considered everything that is available in the market.

2

RFI / RFP

This step is the beginning of the formal vendor evaluation process, in which companies are invited to respond to Requests for Information (RFIs). After evaluating responses, and perhaps meeting with each vendor, the candidate list will be reduced to five or so companies who will be given the chance to respond to a Request for Proposal (RFP).

Tip: Keep RFPs short and focused

In many cases, we see RFPs being sent out that contain anywhere from 500 to more than 3,000 questions. The truth is, that generates too much information, much of it not critical to the decision at hand. Instead of burying everyone under that huge volume of data, the best practice should be to create RFPs with fewer, more targeted questions.

Many companies benefit from partnering with analyst or consulting firms (i.e. Gartner, Celent, Novarica, etc.) who can provide a framework for how to structure the RFI/RFP process and what to ask.

3

Software Evaluation

The next step is to evaluate potential vendors' software solutions, and the most important aspect of that is to validate and verify the answers you received from the RFPs. Rather than taking the vendors word at face value, make time to check their credentials and client references—which will tell you a lot about how vendors perform and what kind of things they can or can't do. The key criteria when evaluating vendors at this stage should be to understand what has been implemented for real, versus what the vendor says they can do.

Tip: Take the long view

The key to effective vendor selection is not ticking 3,000 boxes, but determining if the platform is fundamentally sound and has the best chance of still being useful and relevant in 20 years.

Keep in mind that many of the legacy systems you are looking to replace have

probably been around for 30 years or more—replacement solutions should be considered against a similar time horizon. And that means looking beyond just what you need today and considering things like:

- > How strong and flexible is the platform?
- > How stable and large is the development team?
- > Is the support adequate to meet future needs?



4 Implementation Evaluation

In this step, the goal is to pay attention to potential vendors' ability to implement the desired solution. This is an important criteria that, unfortunately, is often overlooked. Many companies don't even ask about implementation capabilities, which introduces risk since, even if you bought the best product, a poor implementation will cause your project to fail. Make sure to ask about the implementation team's capabilities, expertise and success ratings. And, make sure to evaluate a potential vendor's data migration capabilities and tools.

Tip: Understand the implications of implementation partner options

Keep in mind that some vendors will use a third-party implementation team, whereas some will have an in-house team. There are pros and cons to both, but be aware that if you are working with a vendor who requires that you use their in-house team, you can become locked into that company to an uncomfortable degree. If, for instance, costs increase three years into the project,

you may have no option but to increase your budget. On the flip side, selecting a third-party vendor that has limited expertise with the platform can add unnecessary overhead costs and complexity to the project.

5 Demos

Once software and implementation capabilities have been evaluated, the next step is to invite potential vendors to present demonstrations of their platform in action. One of the keys to getting the most out of these demos is to set up a script you want them to follow, which forces them to prepare for a specific scenario relevant to your unique situation. Their response to the need to do new work at this stage will give you a perspective on how serious they are and how much they want the business.

Tip: Separate IT and Business demos

When conducting vendor demos it's a good idea to separate IT demonstrations from Business Function presentations. The IT demos are technical and deal with a lot of criteria that are not important to the business units, which can create needless confusion. Similarly, if IT plays too large a role in business team demos, they can drown the meeting with too many technical questions.

It is crucial that you are able to give the business stakeholders the chance to provide feedback so that they take ownership of the process—increasing buy-in and reducing downstream criticism.

Script a good portion of the demo, and stay strict on timing, but don't overdo the script. Make sure there is enough time for questions and for vendors to give an overview of the system before getting into details.

6 Shortlist

The next step in the vendor selection process is to shortlist one or two vendors for the Proof of Concept (POC) stage. When reviewing candidates for the shortlist, it's important to once again work to verify their claims about their capabilities.

Tip: Value quantity of references as well as quality

Pay attention to how much latitude a potential vendor gives you in terms of the number of clients they'll allow you to speak with.

If you only have access to one client, then that could be a red flag. Companies who are willing to let you speak openly with a wide variety of clients are those who do a consistently good job and are proud of their relationships.

7

Proof of Concept

In this stage, companies ask one vendor to create a solution that proves they can meet the project goals. This is often the most useful, revealing and reassuring stage in the vendor selection process. Although conducting two POCs can be time consuming and more expensive, it will decrease the risk of making a larger mistake during implementation.

Tip: Keep the scope manageable

One mistake that companies often make at this stage is to ask for too much from the POC. Sometimes the desired POC would require the vendor to work on almost the entire project.

A good approach is to request three functionalities you expect all vendors to do easily with minimal development or configuration.

Make these proof points specific to your particular products—for example, “premium calculation for my ACME SIUL policies” or “Generate underwriting requirements according to my grid”. Then ask for three proof points specific to your business that you think the vendor specifically doesn’t have.

This will require the vendor to perform custom work or more complex configuration.

7 Proof of Concept

Tip: Pay for the POC

Pay the vendors for the work they do at the POC stage. This way they will not have any excuses for not completing parts of the work or not executing well. As a rule of thumb, POCs may cost 1-2 percent of the total project cost—so, \$100k-200k on a \$10M project per vendor.

Conducting multiple POCs with different vendors at the same time is usually counter-productive, as the carrier team cannot focus on any particular effort. It's best to choose one vendor in lead and fallback to a second vendor only if the POC fails.

Tip: Conduct a study

Following, or in parallel with, the POC stage, it is often a good idea to conduct a study. This study would be a paid engagement to create a project plan which includes costs and timelines. The study usually takes four to ten weeks and covers:

- > **Products and business processes**
- > **Integration, solution architecture and deployment options**
- > **Data migration**
- > **Digital quoting and e-apps**
- > **Project methodology and organizational change management**

8

Project Approval

The last step in the vendor selection process is to obtain final approval for the core system modernization project. This process varies by carrier and due to their nature, core systems projects tend to include approval from multiple levels, including the board of directors. When creating the business case for your modernization project, make sure to consider all aspects of the proposed solution—everything from costs and timing, to data migration implications, to the long-term stability of the platform and the vendor.

Tip: Engage third-party help

In many cases companies underestimate the difficulty of successfully getting the needed approvals. The process can be very complicated and internal politics can make navigating the route difficult.

Many companies ease the path to project adoption by enlisting a consulting firm to guide them through the creation of the final presentation.

As well, it's a good idea to have the vendor participate in the presentation itself. The vendor should be able to help with quantifying benefits of the new platform as well and help with communicating the value of the program to all stakeholders.

Wrap up

The need to modernize life insurance policy administration systems is clear. And, although such projects are complex, costly and have a long time horizon, the pay-offs, when successfully implemented, can be immense.

Following this efficient 8-step Vendor Selection Roadmap from Business Kick-Off to Project Approval will keep you on track and make sure nothing is missed as you move forward with implementation. And, to avoid the many pitfalls that can crop up at different stages of the journey, make sure to learn from the tips we assembled from our experience with such projects:

- > Get business stakeholders involved from the very beginning
- > Verify and validate all vendor claims
- > Use third-party partners for help in the RFP and Approvals process

If you are able to stick to the roadmap and collaborate across functions the chances of making a great vendor selection will be vastly increased, and your road to effective implementation will be cleared.

Need help to scope your project?

Based on our proven experience with these types of modernization journeys, we have developed a benchmarking tool which can quickly and easily help you scope your project.

Contact us to get a free, no-obligation high-level estimate, and get started on your modernization program.



**Time is
running...
it's time to talk!**

