SUMMARY

Foresters recently implemented policy administration, new business and underwriting and document imaging systems. This drove down costs, provided faster product development and new business processing, automated underwriting and improved customer service. The organization’s existing systems could not support its speed-to-market requirements, an independent distribution sales model and the organization’s total cost of ownership needs. In 2010, as part of a larger transformation effort, it selected a policy administration system (PAS) and new business and underwriting (NBU) solution, which were both implemented for 85% of the total US business in 36 months.

This case study, written in close consultation with Foresters, provides an in-depth look at the initiative, including the challenges faced and overcome as well as the effects and the best practices that other insurers should note in planning their own significant IT and operations undertaking. While Foresters implemented life insurance solutions, the lessons apply to a broad range of carriers’ transformation efforts.
INTRODUCTION

Foresters is a member-based fraternal benefit society based in Toronto that provides life insurance and investment products for over one million members across Canada, the United States and the United Kingdom. With approximately CAN$1 billion in fees and annual premiums, Foresters notes that it “supports family well-being through quality life insurance products, unique member benefits and inspiring community activities.”

In 2009, Foresters completed a thorough search for a policy administration system that could better support the company’s distribution, product development and underwriting needs. The organization’s existing system did not support its speed-to-market needs or its desired long-term total cost of ownership, which led Foresters to seek out a highly flexible, multi-country solution that could support a broad array of products with a quick implementation time so that the existing systems could be retired as quickly as possible. In August 2010, it selected MajescoMastek’s Elixir Policy Administration System as well as MajescoMastek’s New Business & Underwriting solution (NB+U).

This case study, based on information provided by Foresters and direct interviews with stakeholders at the organization, is presented using Novarica’s “4 Ps Strategic Framework” and is designed to help other insurer CIOs and business executives understand what can be accomplished through ambitious systems transformation.

Pressures. What are the business pressures facing Company across all areas?

Principles. What are Company’s IT and insurance operations principles?

Projects. What projects will Company prioritize in the next 2-3 years? How do these things that address the pressures and follow the principles

Programs. What projects will Company organize into larger programs in the next 2-3 years, and how will these be managed?

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PRESSURES

Foresters was in need of a transformation effort to drive membership growth while significantly reducing both acquisition and in-force administration costs. The organization’s existing IT infrastructure and operational processes did not effectively support its move to independent sales distribution. New policy acquisition costs were high, and those new policies took 2 to 3 years to achieve profitability. In addition, implementing and re-pricing simple products typically took more than 6 months.

Foresters’ application portfolio was comprised of disparate policy administration systems acquired through both evolution and acquisition. Many of these systems had deteriorated over time, were no longer vendor-supported and did not support Foresters’ go-to-market strategies. System inflexibility, lack of functionality and misalignment with business processes created manual processes, hindered product speed to market and compromised user experience. In addition, lack of scalability jeopardized the organization’s ability to support transaction volumes expected to be caused by future growth. Home-grown reporting tools and lack of data integration across multiple systems constrained Foresters’ ability to manage its business effectively.

Foresters needed either a single application platform or an integrated set of solutions to address these issues. From a business perspective, electronic applications and electronically issuing policy certificates needed to be enabled. The paper-based nature of its business coupled with its manual processes literally clogged up the Foresters elevators moving paper around.
PRINCIPLES

Foresters’ principles included a focus on making the organization as sustainable, profitable and as efficient as possible. Key business objectives were to drive down overall expenses (e.g. unit cost expenses) and support capital management. In addition, the organization’s goal was to increase sales, producer growth and profitability. To achieve these goals, it recognized that it needed new PAS and NBU solutions to support electronic applications, straight-through processing, automated underwriting, producer portals, and data warehouses.

Foresters based its technology decisions on strategy, transformation and management. Rather than focusing on automation for its own sake, the organization’s initiatives focused on cost-effective solutions that aligned with actual business needs. Foresters’ goals in selecting more modern NBU and PAS solutions were as follows:

- Leverage configurable rules engines to improve business processes and accelerate underwriting decisions in order to ensure optimal efficiency with straight-through processing wherever possible.
- Utilize an open architecture (service-oriented with loosely coupled applications).
- Improve service levels to members and producers by reducing cycle times for policy issuance and increase transparency around case status and decision-making.
- Allow Foresters to use business intelligence tools to analyze the quality and results of its underwriting rules.
- Create a strategic leap forward in its member and producer services platform to position the organization for future growth.
- Partner with vendor(s) with industry domain expertise, a proven track record with large and complex transformation efforts, and modern technology that supported industry best practices.
PROJECT

Foresters began the search for a new policy administration system with a marketplace evaluation. This included analyzing companies, functionality and architectures. The scope for the “Foresters Invests in Transformation” (FIT) project included not only replacing its PAS and NBU, but also its producer portal and mobile app, an imaging platform, a customer relationship management solution, and an HR system.

After an exhaustive search, Foresters selected MajescoMastek’s Elixir Policy Administration System and its New Business & Underwriting solution (NB+U) to address a portion of their needs. The program included 8 to 10 concurrent large projects with approximately 300 contractors (including MajescoMastek staff) and 100 Foresters staff distributed among 6 locations.

The company adopted a considerable amount of new technology, which entailed extensive complexity around implementation and integration. The following activities were initiated and completed in the first 12 months of the project:

- Implemented an imaging platform to scan and index all inbound mail to the new platform.
- Back-scanned 45 million pages of documentation.
- Implemented an enterprise service bus as a hub so legacy applications could be plugged into the new systems.
- Introduced a single communication standard both internally and externally by making all relevant systems ACORD-compliant.
- Implemented an enterprise data warehouse that all applications feed into, together with supporting analytics and reporting for actuarial, sales, marketing and insurance operations.

In 2011 Foresters implemented Microsoft Dynamics CRM for all portals. It then completed implementation of the NB+U solution in December 2011. Finally, it focused on getting the policy administration system implemented, which was completed in mid-2013.
PROGRAM

Foresters’ multi-million dollar transformation initiative was developed and executed under the banner of the FIT Program (see above). This program was made up of several projects undertaken in three primary phases:

Phase 1: Build Foundational Architecture

- **Imaging.** Image-enable insurance operations and back-scan all paper policies, producer contracts and correspondence; scan and index all incoming mail.

- **Data Warehouse and Business Intelligence.** Adopt the SAS Insurance Industry data model and subject data marts, feed the data warehouse and invest in a best-in-class business intelligence platform.

- **Enterprise Service Bus.** Build a hub to connect all applications and data flows for legacy, external services, and new applications.

- **CRM Replacement.** Implement a modern CRM platform that integrates seamlessly with portals, call center technology, new business, and policy administration systems.

- **Enterprise Knowledge Portal.** Implement a dynamic, collaborative, wiki-based repository for consolidating and maintaining information about Foresters products, processes and services that could help staff service customer requests in an expedient, consistent and comprehensive manner.

Phase 2: Build and/or Implement Core Systems

- **MajescoMastek’s New Business and Underwriting System (NB+U).** Implement the business origination engine for receiving and evaluating new applications, managing requirements, and performing automated and manual underwriting.

- **eApplication.** Implement a home-office data entry application for new applications.

- **Policy Administration System.** Implement a modern, open PAS platform that simplifies the process of implementing and changing insurance product offerings in addition to streamlining many of the processes required for in-force block administration.

- **Member Portal.** Provide self-service capabilities as well as a tool to communicate and exchange information with customers.

- **Producer Portal.** In addition to providing self-service capabilities to independent producers, it includes a mobile application component for tracking progress on new business as well as reviewing in-force policy information in near real-time.
Phase 3: Post-Implementation (underway as of January 2014)

- **Advanced Workflow.** Use advanced barcoding of documents and increase “once and done” servicing in the contact center. Drive down both manual and multiple touch processes in both new business and policy administration.

- **CRM Version 2.0.** Roll out additional customer self-service capabilities, expand member events and benefits enrollment, and further integration of UK and Canadian customer data.

- **Re-Platform Legacy Applications.** Update the legacy PAS and port to a shared mainframe environment with a systems integrator to manage the runoff of closed blocks. This is an alternative to engaging in a costly and time-consuming policy conversion, in order to reduce operational expenses by 25%, while limiting conversion costs.

- **Implementation of Workbench.** Deploy a graphical and table-driven product configuration tool that works with the core product engine in MajescoMastek’s New Business and Policy administration platforms.

RESULTS

Foresters has significantly reduced expense overruns through the transformation program and other initiatives, and expects that overruns will be eliminated altogether by 2016. The majority of the cost savings thus far have been due to headcount reductions attributed to complete business process redesign aligned to a digital strategy with automation and self-service being the primary drivers.

Forester believes that the organization is winning additional business and improving retention with improved customer loyalty and service as a result of these initiatives. It is now able to offer real-time file retrieval (e.g. 4 seconds and a few simple key strokes) whereas before it could take more than 4 hours. In addition, it eliminated 36 million pieces of paper, which were filed in the basement and difficult to access, and the manual “people” traffic that clogged elevators.

The company has enabled straight-through processing and is now able to process 33% of its PlanRight final expense product and 12% of its other non-medical products with no manual intervention. Average time to issue has gone from 2 days to less than 1 day for the PlanRight product. Issue times on non-medical products have gone from 7 days to 4 days in most cases (2 days for PlanRight to 1 day, and in some cases same-day processing), and the team is now able to issue the same volume of business with half the staff. Producer wait time for confirmation that business has been received decreased from 48 hours to just 2 hours. In addition, underwriting decisions are now more consistent thanks to the increased automation.
From a user-experience perspective, data is more readily available to agents and brokers because they are no longer constrained by overnight batch processing. Today, they can view real-time information by logging into Foresters “EzbiZ” portal or a mobile device application. Customer correspondence is automated with fewer, more targeted interactions.

Early experience is that the configurable nature of Foresters’ new policy administration system has improved its new product speed to market with the most significant gains expected to be achieved when the final release is delivered at the end of this year.

**Best Practices and Lessons Learned**

Foresters shared the following lessons learned from its experience implementing a new policy administration system:

**Proactively manage vendors.** In preparation for the project, Foresters created a strong vendor management office. It also created a tri-party agreement with its primary systems integrator and MajescoMastek, which served to protect intellectual property and create expectations for collaboration.

**Change management and business process re-engineering are paramount for large-scale operational changes.** Change management and business process re-engineering teams were established early in the project and influenced business operations and workflows. The change management team managed organizational communications and coordinated with human resources. The business process re-engineering team optimized and documented processes that in turn influenced business requirements and test case development as well as training and implementation.

**Invest in foundational work first.** Foresters cites its year-long investment in foundational work (which preceded its PAS implementation) as a key to the overall program success. During that time, it built an enterprise service that allowed it to centralize workflow, standardize messaging and security, and manage hybrid legacy and new technology during the transition. Standardizing on ACORD XML made integration both faster and cheaper, especially with external services such as MIB and LexisNexis.

**Alignment between the business and IT improves project outcomes and reduces organizational friction.** Given the program’s impact to the organization from a process optimization, cost-cutting and operational effectiveness perspective, the CIO was also given the COO role at the outset of the project. There was a conscious effort to include key stakeholders throughout the project through defined project roles, regular meetings and decision-making (such as requirements sign-off) at the right level rather than being delegated to employees without appropriate authority or budget. This also included frequent communication with producers in order to set the expectations of the timing and benefits of anticipated changes.

**Turn your biggest skeptics into advocates by involving them in the project.** Foresters sought early interaction with a business area that housed some of the project’s biggest skeptics. It
shared the project roadmap and piloted new functionality with that business area, and the project team incorporated the resulting feedback prior to rolling it out further. Foresters indicated that all rollouts were smooth because of this early interaction and feedback. In the end, the project’s biggest skeptics became its strongest advocates.

**Leveraging open-source software can keep base platform costs low.** Prior to project inception, Foresters considered off-the-shelf technology such as IBM and Oracle. However, since the MajescoMastek solutions utilized open-source technologies such as Linux, JBOSS and Red Hat, platform costs have been reduced by more than CAN$300,000 annually.

**Take the time to implement the latest technology in order to simplify ongoing maintenance and upgrades.** With each release, Foresters ensured that it was using the most current operating system, ACORD standards and packaged solution versions.

**Avoid costly, risky and time-consuming conversions whenever possible.** Foresters’ initial plan was to fully decommission the current policy administration systems and convert everything to the new policy administration system. However, it quickly determined that conversion would be both cost-prohibitive and time-intensive. Foresters determined that it could re-platform the current system using a low-cost, shared environment that will only be updated to the extent necessary for regulatory compliance until the business runs off.

**Always favor configuration and configurability over customization.** In order to meet the initial launch dates some functionality had to be hard coded instead of built into the system to support configuration. While these initial choices were necessary at the time, Foresters considers it a high priority to replace the hard coded functionality (and the additional complexity it introduced) with more configurability added to the system in the future.

**Leverage test cases to improve quality of code delivered by development teams.** Foresters created test cases in concert with the business requirements and shared them with the development team. In addition, it defined 25% of the most complex and real-world end-to-end processes as test cases and set the expectation that the vendor needed to be able to complete these using a combination of the “happy path” (automated processing without exceptions) and exception processing prior to providing code for UAT.

**LOOKING FORWARD**

Foresters is currently piloting and rolling out a mobile application available through Apple’s App Store and the Google Play Store (for Android devices). Additionally, by the end of 2014, all US new business is expected to be processed using the new NBU and PAS platforms.

Moving forward, Foresters plans continued investments in technology in order to automate its new business and claims processes, expand customer self-service capabilities, provide e-delivery of key documents (e.g. policy certificates, changes, amendment notices and statements) and implement a product workbench tool to drive self-sufficient product development.
ABOUT NOVARICA

Company
Novarica provides information, insights, and perspective on markets, operations, and technology to financial services and insurance executives. The company delivers its service through published research, retained advisory services, and project-based consulting. Novarica’s research includes market and trend analyses, best practices research, case studies, and independent analyses of insurance software vendors. Novarica draws its knowledge from the personal experience of its principals, the ongoing information gathering initiatives of dedicated research staff, and regular communication with insurer executives through informal networks and through the Novarica Insurance Technology Research Council.

Council
The Novarica Insurance Technology Research Council is a knowledge-sharing and peer-networking community made up of insurer technology executives. As of the beginning of 2014, the council had over 325 members from more than 300 different insurers ranging from the largest to the smallest, across life/annuity/health and property/casualty. For more information, see www.novarica.com/council.

Authors
Chad Hersh is a managing director in the insurance practice at Novarica. For the past ten years, he has been the primary researcher and author of the market leading reports on insurance core systems, and is a widely recognized expert on the topic who has presented at numerous conferences and conducted numerous vendor selection projects for US and international insurers. He joined Novarica from analyst firm Celent, where he spent five years after serving as an e-business director and IT strategist at AIG American General. He holds a BA in Economics and an MS in Accounting with a MIS concentration from Rice University, where he has also taught consulting and e-business. He can be reached directly at chersh@novarica.com.

Sarah Bogan is an associate principal in the insurance practice. Her recent projects for insurers have included core systems vendor evaluation projects as well as organizational, IT, process and program management assessments. Sarah’s experience includes many years at Allstate in a variety of internal consulting, technology strategy and planning, and business architect roles. Prior to joining Allstate, she was a consultant at PricewaterhouseCoopers. She holds a BS from Indiana University. She can be reached directly at sbogan@novarica.com.