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Insurance NETWORKING NEWS

January/February 2010 www.insurancenetworking.com

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Strategies and technologies to boost behind-the-scenes efficiencies

A Global View of SOA-based Policy Admin Systems

Long-established in the states, service-oriented architectures are now taking root in emerging markets.

By Maria Korolov Trombly

WITH A PREFERENCE FOR service-oriented architectures (SOA), the U.S. market is the furthest ahead in deployments of SOA-based policy administration systems, but companies in other parts of the world are starting to catch up—and even leapfrog over traditional approaches.

Defined by its open communication standards, SOA promises to dramatically reduce integration and development costs in the long term, though there may be a short-term cost associated with the initial conversion.

Due to the economic slowdown, these short-term costs were a factor in 2009, resulting in a reduced interest in converting legacy policy administration systems to SOA, according to Kimberly Harris-Ferrante an analyst with Stamford, Conn.-based Gartner. Insurance companies, depending on investment income, were particularly hard hit, she says, and their interest in big technology projects was subdued as a result. "As we go into 2010, we're starting to see a lot of these companies start back with these projects," she says.

NEWFOUND AGILITY

The largest U.S. firms have already to migrate away from legacy systems to modern standards, and are now building on the progress they've already made.

Boston-based Fidelity Investments Life Insurance Co., for example, began the transition to SOA in 2006 in its annuity line of business. "We were on an old legacy system, and it was hard to build new products on that system and release them to the market quickly," says Shawn Pate, the company's VP for software development.

After evaluating the alternatives, the company chose Oracle's policy administration system, which separates the business rules from the application layer, allowing business

users to create new rules and processes without writing new code. Fidelity was one year into the configuration process when the company decided to release a new product—and the old system couldn't handle it. "The only place that had the functionality and features that we needed was within the new system we were building," says Pate.

So the migration process was put on hold while Fidelity rolled out the new product, Fidelity Growth and Guaranteed Income, which took less than nine months to configure and was released in the fall of 2007. Previously, new products took up to 12 months to roll out, she says. Since then, Fidelity went back and finished migrating its old products and retired the legacy platform in the summer of 2008, and the benefits of having an SOA-based platform are already being felt, she says. For example, the most recent product launch took just four months. "We've been able to leverage the architecture of the new system so we can [improve processes, such as inputting regulatory changes quickly,] and configure new products and bring them to market in record time."

In addition, the new platform enables easier integration with multiple channels, Pate says. Accordingly, real-time data exchanges are now done with SOA Web services standards. Fidelity will continue working to roll out SOA standards throughout the middleware level in 2010, she says. The company is using a strategic approach, doing the work a bit at a time. "We're looking to take pieces of those changes as we do other projects throughout the year," she says.

Oracle's Policy Administration System is also at the heart of the new SOA initiative by Marsh Inc., a New York-based broker and business process outsourcing firm that serves U.S. and global insurers. Marsh began rolling out the new system in the fall of 2009, with the first customer expected to go live on the platform by September 2010.

Don Cahalan, managing director and president of employer benefits at Marsh Global Consumer, says the SOA-based system quickly brings new customers on board. "Once you have your framework in place and have built your product set, the additional products come at incremental speed," he says "Instead of quarters or years to bring products to market, it's weeks to months."

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Migrating policy administration from a legacy system to the new platform will be even quicker. "With the Oracle platform we're building, because of the SOA in the application, moving over that book of business will actually shrink to three weeks' worth of work on the actual conversion," adds Ted Hughes, SVP of IT at Des Moines-based Marsh U.S. Consumer, noting that Marsh will be better able to seamlessly integrate multiple products for customers, he says.

BEST OF BREED

The U.S. market is the furthest along, experts say, because many companies have adopted a best-of-breed approach to their technology deployments, which creates integration problems that SOA helps solve. "The underlying reason was that the U.S. market started earlier, so vendors have had more time to emerge with better and more modern point solutions," says Donald Light, a senior analyst at Boston-based Celent.

According to a Celent survey of CIOs, about 40% of all integration with external data sources was done with SOA this year, Light says. And when it came to internal integration, he says, more than half was done with SOA. By comparison, outside the United States, the rates were 25% to 50% lower.

For many firms, one of the side benefits of SOA is that it becomes easier to integrate policy administration systems with third-party billing platforms, Web access portals for staff, agents and customers, and even mobile applications. This is particularly true outside the United States, where the need to integrate best-of-breed products from multiple vendors is not as urgent.

In the UK, best of breed integration issues aren't as significant as in the United States because insurance firms tend to use end-to-end systems from single vendors, or build their own platforms, says Celent analyst Catherine Stagg-Macey. However, the UK does have another type of integration issue—multiple distribution channels.

"The UK has one of the most complicated distribution markets in all the world with the number of channels where you can get insurance," she says. "At the post office, at the supermarket, at the car dealership, by yourself on the Internet. And then you've got the aggregators, who wind up commoditizing and driving the prices down."

SOA helps UK firms deal with the challenges of working in the various channels, Stagg-Macey says. "Just because you have three ways of coming into an organization doesn't mean you want three back offices. You do SOA, so you have a single core claims system andunderwritingsystem.Componetizing the policy administration is fundamental to making that complex environment work."

Companies outside the UK also benefit from easier integration with multiple channels, however. Future Generali India Life Insurance Co. Ltd., a joint venture between Mumbai, India-based retailer Future Group and Trieste, Italy-based insurer Generali Group, is just now starting with SOA with a small integration project. "New technology is being adopted to develop point-of-sale applications integrated with our core admin systems," says CIO Rajeev Shirodkar.

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The way that SOA is being deployed is similar around the globe, says Billy McCarter, SVP for delivery at Edison, N.J.-based MajescoMastek, an insurance industry technology provider with customers in the United States, Asia and Europe. "Everyone is looking to deploy an SOA-based modern architecture platform," McCarter says. "The systems being deployed in Europe and Asia Pacific for life and annuity is the same solution we're deploying here [in the United States] with some local regulatory and compliance changes."

However, the pace of deployment is different from region to region. But even within a given geography, the pace of change can vary greatly. For example, Japan lags significantly behind when it comes to the pace of technological change in the insurance industry, says Aite Group analyst Clark Troy. "The post office is the primary means of distributing financial products," he says.

Conversely, some emerging countries may have an advantage when it comes to SOA; as the markets are still developing, companies have the opportunity to bypass aging technology.

For example, the Chinese government has given out several new licenses for property/ casualty insurers over the past couple of years, says Sudhakar Ram, CEO and chairman of Mastek Inc. These companies started out with the bare minimum of technology—spreadsheets, in some cases—but have been growing well and are now ready to invest in modern technology, he says.

A CLEAN SLATE

There are similar "clean slate" opportunities elsewhere in Asia.

"In India, there are about six or seven new companies being set up in the area of life insurance," Ram says. "They are willing to go directly into SOA because they don't have any legacy—they don't have any existing policies to administer."

One of these companies is Aegon Religare Life Insurance, a joint venture between The Hague, Netherlands-based life insurer Aegon and Mumbai, India-based financial services group Religare. The company, founded in the summer of 2008, uses Web services to manage interfaces and ensure data integrity. "We have aligned our systems toward SOA from day one," says Srinivasan Iyengar, the firm's director of IT and operations.

As a result, the company has been able to roll out a multi-channel operation, including telephone-based self-service with an interactive voice response system. The company also has recently launched an Internet-specific product and will be launching mobile applications over the course of this coming year, Iyengar adds. **INN**

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