

You're about to
buy a new
Policy
Administration
System?

STOP!

Read this report first.



People don't get excited about policy admin systems (PAS) – not even insurance executives. Even if they're the backbone of any insurance business, they are seen as something that supports a strategy but doesn't create differentiation and competitive advantage.

But for many insurers the PAS is also part of the legacy estate; their "clunkiness" and "inflexibility" prevents insurers from innovating with propositions and products.

The good news is that it doesn't need to be this way. Systems exist where implementation is counted in months not years and new product build in days not weeks. In fact, we recently saw a system that allowed a non-IT person to build a product in under 2 hours.

Insurers need to look beyond the usual vendors to access this functionality. Over the last five years, a vibrant ecosystem of "challenger" PAS providers has blossomed in both Europe and the USA.

These new providers have the obvious advantage of not being burdened by their own legacy systems. However, they also have the more subtle advantage of being conceived in the modern computing era; their teams have "agile" mindsets and deliver flexible solutions quickly and efficiently.

But the number of systems is vast – over 200 credible providers for Europe and the US at last count – and each system is different. Some try to be an "insurer in a box" to help businesses get off the ground very quickly; others provide flexible, API-enabled back-ends to allow insurers to innovate with their own distribution front-ends.

Choosing the right PAS is imperative to help insurers achieve their strategic objectives. When it comes to vendors, big is not necessarily beautiful – we advocate that even large insurance companies assess the newer and often smaller vendors when selecting a new system.

THE PROBLEM WITH TRADITIONAL SYSTEMS

“A new product?
That’ll be 12 months
and £1m please”

Insurers tell us that they have four main gripes with traditional PAS providers:

First of all, they’re **slow**. Thanks to the way many of the traditional systems are built, it often takes months to make adjustments to existing products, let alone build a new one. In an age when insurers are innovating with their proposition, this is a major problem.

Traditional systems are also **inflexible**. Products are defined by the system and not by the user; processes are hard-coded and any changes need to go into the IT development queue.

Third, traditional systems are **expensive**. Not only do they have huge upfront implementation costs – partly driven by the slow pace – but they are also costly to maintain and run.

Finally, insurers are held **hostage to the supplier** when it comes to data and MI. Traditional systems often offer a suite of standard reports and charge development fees for customised reports. It is often impossible to extract data for analysis.

SO WHAT'S DIFFERENT WITH MODERN POLICY ADMIN SYSTEMS?

Speed:

Modern policy admin systems can be deployed very quickly – think sub six months. Changes can be made similarly quickly – think 1-2 days for a new product.

Flexibility:

Modern policy admin systems allow insurers to create customised propositions. This is achieved by “modularising” the insurance proposition into its constituent parts and allowing insurers to assemble these at will. For example, most modern PASs would not have any trouble hosting a combined home and pet product or a “turn on turn off” motor policy.

Expense:

Modern systems are generally hosted in the cloud. This, combined with the flexibility, means that upfront implementation costs are reduced. Systems generally charge 1-3% of GWP as an ongoing service fee.

Data ownership:

Given the way that data is organised and stored in modern systems, insurers have much more control over it. Bespoke reports can normally be built with WYSIWYG editors and data can be extracted (with appropriate security controls), analysed and migrated.

WHAT'S THE RIGHT VENDOR SELECTION PROCESS?

We call our preferred approach to vendor selection “agile procurement”. Our approach recognises that day 1 of a vendor selection process is the day on which our clients know the least about their requirements, no matter how many hours have gone into requirements documents. An “agile procurement” process therefore starts with high level requirements and casts the net wide. The focus is then on learning about the systems; information helps to refine and detail requirements. In this iterative process, the net is frequently shifted and tightened.

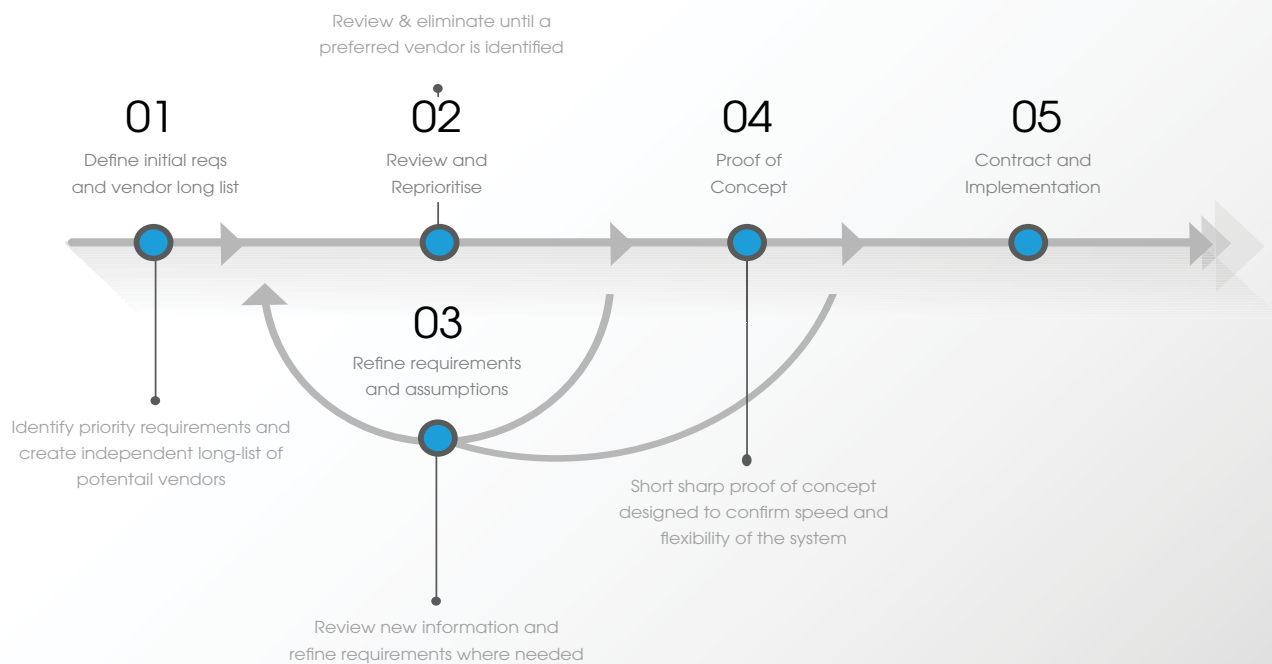


Figure 1 'Agile Procurement' Process



There are four steps in the process:

01. Define critical requirements and vendor long list:

- a. Use the Oxbow Partners **vendor checklist** to identify what matters most to your business. Prioritise the requirements that you truly cannot live without.
- b. Identify the long list of potential vendors, including both established players and smaller vendors. Capterra, Celent and Gartner are good places to start looking for the established vendors.

02. Review and reprioritise:

- a. Review the vendors against the critical requirements; start with broad-brush public information and then move to increasingly detailed discussions with vendors in later iterations.
- b. Re-prioritise the list of vendors and eliminate those who do not meet your most important criteria.
- c. If you have identified a clear front-runner, you can proceed straight to the proof of concept.

03. Refine requirements and assumptions:

- a. Refine and detail your requirements based on what you are learning in the process.
- b. You may want to re-introduce vendors if they have been eliminated based on criteria which are no longer priorities. This is not a sign of the process failing, but of it working.

04. Proof of concept:

Why take what the sales team says for granted? It is important to run proof of concept tests as soon as possible to test their claims. Focus the POC on your most critical requirements.

The vendor selection checklist

You can access a free copy of our vendor selection checklist at www.oxbowpartners.co.uk/PAS_checklist. Below is an extract from the list.

Section	Sub-section	Questions	Example Responses	Critical Requirement?	Vendor Must Respond?
Core Functionality	Core Functionality	What core policy functionality does the system provide?	Quote and bill, renewals, accounts, claims		
	Claims Automation	What supporting functionality does the system provide?	Document management and distribution, CRM, workflow management, MFA and reporting, team management, billing and fee collection		
Business Functionality	Business Functionality	What claims administration is provided?	Ability to calculate RPL and loss module		
	Business Functionality	What business functionality and core capability is provided?	Ability to calculate and issue claims and strategic claims		
Product, Pricing and Sell	Product	What product types does the platform support?	Ability to calculate claims progress, compensation claims		
	Pricing	Does the platform support commercial and retail?	Ability to calculate and issue claims and strategic claims		
Reporting and Analytics	Reporting	What reporting functionality is provided?	Ability to calculate and issue claims and strategic claims		
	Analytics	Does the platform support commercial and retail?	Ability to calculate and issue claims and strategic claims		

If you remember one thing...

The success of your vendor selection is dependent on a clear understanding of your business requirements.

To help you to identify and prioritise your requirements we have provided a printer-friendly vendor selection checklist on our website. This checklist is based on our experience of PAS vendor selection processes for clients.

You can use this checklist to help define your requirements – or you could just give us a call and we'll do it for you!

About Oxbow Partners

Oxbow Partners is an experience-led advisory firm for the insurance industry. We use our "agile" approaches to help our clients develop and implement strategy quickly.

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