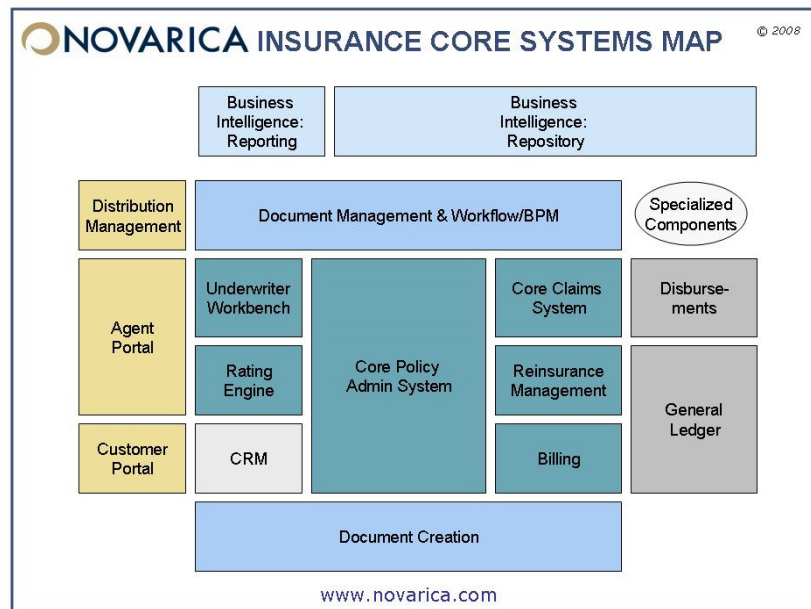


**Case Study: Rapid Policy Administration Replacement
at Philadelphia Insurance Companies**
July 2011



SUMMARY

Philadelphia Insurance Companies completed a thorough search for a policy administration system that could better support the company's complex product development and underwriting needs. Since their existing system did not support their speed-to-market and long-term total cost of ownership needs, Philadelphia sought a highly flexible solution that could support a very broad array of products but with a quick implementation time so that the existing system could be retired as quickly as possible. In late 2010, they selected Sapiens' RapidSure system and implemented it for three lines / five products (including conversion and integration) within six months.

This case study, written in close consultation with Philadelphia, provides an in-depth look at the initiative, the challenges faced and overcome, and the effects and the best practices that other insurers should note in planning their own significant IT efforts.

CONTENTS

Introduction...2
Pressures...3
Principles...3
Project...4
Program...4
Results...5
Looking Forward...6
About Novarica...7

AUTHOR

Chad Hersh
Partner
chersh@novarica.com

INTRODUCTION

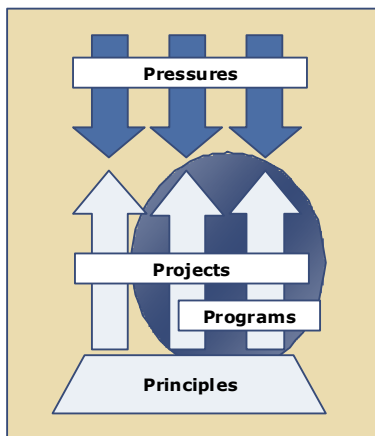
Philadelphia Insurance Companies (Philadelphia) designs, markets, and underwrites Commercial Property & Casualty and Management & Professional Liability insurance products tailored for the unique exposures of niche markets.

With \$2.1 billion in premium, Philadelphia provides competitively priced policies, local service relationships, and differentiated coverage features. It is a recently acquired member company of the Tokio Marine Group, a very large Japanese group of insurers. Philadelphia's P&C operations include over 90 products offering coverages for unique exposures. Aside from worker's compensation, nearly every product type is offered. For 11 years in a row, Philadelphia has been named to Ward's Top 50 Property-Casualty Insurance Companies. It is also ranked 59th in National Underwriter's Top 100 Insurance Groups.

In 2010, Philadelphia completed a thorough search for a policy administration system that could better support the company's complex product development and underwriting needs (Philadelphia offers well over 90 products/programs). The company's existing system did not support the speed-to-market and long-term total cost of ownership needs, which led Philadelphia to seek out a highly flexible solution that could support a very broad array of products but with a quick implementation time so that the existing system could be retired as quickly as possible. In late 2010, they selected Sapiens' RapidSure system and implemented it for five lines (including conversion and integration) within six months.

This case study, based on information provided by Philadelphia and direct interviews with the company, is designed to help other insurer CIOs and business executives understand what can be accomplished through ambitious systems transformation. This is the second report in a series of case studies of successful transformative technology initiatives by insurers. The outline of the report follows Novarica's 4 Ps Strategic Framework, which stands for "Pressures, Principles, Projects, and Programs."

Novarica 4 Ps Strategic Framework



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- **Pressures:** What are the business pressures facing Company across all areas?
- **Principles:** What are Company's IT 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?

PRESSURES

Philadelphia Insurance Companies' multiple property/casualty divisions relied on a legacy policy administration system that had accumulated functionality over the previous decade.

Though the system had served the company well, business and technology pressures began to be keenly felt in multiple areas. For example, the legacy policy administration system was an internal system, and it was not implemented with the web channel in mind. Likewise, it was not geared towards straight-through processing. And since the business model had not demanded it in the past, the system was not implemented for high volume/low premium transactions. The rate of product development driven by Philadelphia's business needs exceeded the capacity to develop those products in the existing system.

PRINCIPLES

Philadelphia Insurance Companies' principles focus on enabling their organization to be as sustainable, profitable, and efficient as possible. To achieve these goals, they recognized that a new policy administration system would be needed. As noted, enabling faster, more cost-effective product development and more robust straight-through processing—particularly for low premium, high volume products—was a key consideration for these reasons.

Philadelphia Insurance Companies' technology choices were strategic, transformative, and well-managed. Rather than making the typical insurer mistake of focusing on automation for the sake of automation, the company's initiatives were instead usable and cost-effective solutions to actual business needs. The following were Philadelphia's goals in finding a new Policy Administration System:

- The new policy administration system should provide a Point of Sale Portal.
- It should be based on a componentized modern architecture, with a rules engine, workflow engine, and interoperable Web services enabled at each point in the policy lifecycle.
- The policy administration system should be low cost, including the costs of development and maintenance.
- The policy administration system should be tools-based, including tools for product configuration and conversion.
- A rapid development lifecycle including quick integration with ancillary systems such as document assembly, imaging, billing, and claims.
- The policy administration system should allow for complete automation of all policy transactions including out-of-sequence endorsements.

- The policy administration system should allow the organization to pre-build ISO lines to be used in packaged products.

PROJECT

Philadelphia began their search for a new policy administration system with a 5-6 month evaluation of the marketplace. This included analyzing companies, functionality, and architectures.

After an exhaustive search, they selected Sapiens' RapidSure in September 2010. Philadelphia chose to initially implement RapidSure for program business, specifically their Fitness & Wellness program, with 5 products across three lines of business.

The company began a 24 week implementation of RapidSure. The first iteration lasted 8 weeks and was focused on four major areas:

- Project organization
- Business requirement definition and validation
- Product configuration
- Initial design of UI and workflow

Within 16 weeks (following the the business requirements definition), the first product was rolled out. Within 24 total weeks Philadelphia Insurance Companies achieved a complete system rollout of the 5 products in all 50 states—including conversion. This is one of the fastest implementations of a multiline, multistate system that Novarica has encountered.

PROGRAM

The project was completed utilizing a combined Sapiens/Philadelphia team allowing for both rapid configuration and strong knowledge transfer. This type of highly iterative, intercompany project required tight project management discipline by both parties. Iterations were released every 2-3 weeks, dramatically reducing project risk and speeding the process.

Conversion was completed by leveraging automated conversion tools provided along with the solution. This was critical to minimizing the time to rollout, as indicated by the very short window in which the solution was rolled out.

The Philadelphia and Sapiens teams worked together closely in order to meet the aggressive time frames laid out by Philadelphia. Rather than utilizing a traditional vendor management approach (in which the carrier manages the vendor and the program but the vendor manages the project), the project team included members from both companies with all staff reporting into the PMO at Philadelphia. The PMO itself was a joint team comprised of Sapiens and Philadelphia technology and business managers.

In addition, the Philadelphia CIO, Alfred Goxhaj believes that projects of this size should be under direct supervision of the CIO and the IT leadership team. In this particular case that meant that in addition to the regular “scrum” meetings that are common to agile methodology, during the 10-12 weeks of the project the project leadership team had daily meetings in the CIO’s office every morning. The goal of these meetings was to remove any impediments or barriers that the project team faced immediately, not allowing for any slack or any delays however small they may have been.

Daily tasks were tracked. Reporting on the project progress was done on daily basis. A log of all decisions was updated and published daily. The next day’s tasks were detailed and sent out to the team every afternoon, including a precise set of expectations.

Although the project did not leverage a “pure” agile approach, it leveraged some the components from Agile to the drive requirements gathering and the delivery processes. The team ensured the requirements were done in enough detail to continue to the next portion of the product configuration, but were by no means exhaustive requirements.

Each sprint aimed to complete 100% of the requirements detailed to that point, preventing slippage of functionality from one phase to the next. Each requirement was tracked and managed from inception to delivery by the project team, which included the Philadelphia QA department. The QA department was involved from the start—including the requirements definition—ensuring they had a complete knowledge and understanding of the requirements and the deliverables.

RESULTS

As noted, within 16 weeks the first product was rolled out and within 24 weeks Philadelphia Insurance Companies achieved a complete system rollout of the 5 products in all 50 states—including conversion. Perhaps most importantly, Philadelphia was able to sunset a legacy system in 9 months, an extremely accelerated timeframe for a project that was actually a systems replacement project rather than a greenfield implementation. This is important as many of the shorter core systems implementations that are reported in the industry are greenfield implementations, which are substantially less complex by nature.

Best Practices and Lessons Learned

Implementing a new policy administration system at Philadelphia afforded the opportunity to gain insight into lessons learned and best practices throughout the project.

The company credits the tight project management discipline and joint development teams, routine and rapid releases, involvement of the business (not just IT) in all aspects of the project, and a smooth integration process with the success of the project.

Specifically, the CIO, Alfred Goxhaj noted:

- Often it was not easy to tell who was on what team (Sapiens vs. Philadelphia), and this was paramount to their success.
- Releases occurred every 2-3 weeks and every release was tested and fixed before moving on; each iteration closed the loop on issues, allowing them to stay on top of issues with every new release and providing for rapid releases without sacrificing quality.
- Business was involved even early in the testing and validation process, not just in the requirements gathering (as is often the case).
- Services and integration to billing, claims, and all ancillary systems were implemented in 14 weeks, a very unusual feat for a core systems replacement project.

Of all tasks, the automated data conversion from the legacy system to RapidSure was perhaps the most painful. However, this manual mapping of data followed by automated data conversion allowed the carrier to fully retire their previous system and free up funding and resources previously required to maintain the previous system.

LOOKING FORWARD

Moving forward, Philadelphia Insurance Companies aims to quickly expand their footprint. They plan on completing this through a variety of initiatives:

- The success of RapidSure generated more needs within the company, and they are looking towards a personal lines implementation next; the specific product is a very complex one that has never been implemented at the carrier, but now has a planned 6 month implementation is close to being delivered.
- Other products are also in the implementation pipeline; they are planning to run 2 development projects in parallel within 6 months, and three within the next year, a key benefit of the joint teams utilized in the first implementation.
- The company is planning to implement an upload/download process
- According to Philadelphia Insurance, Sapiens plans on investing in R&D to replace the existing workflow and rules engines with much more robust alternatives.

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.

Novarica Insurance Technology Research Council



The Novarica Insurance Technology Research Council is a knowledge-sharing and peer-networking community made up of insurer technology executives. As of mid 2011, the council had over 300 members from more than 200 different insurers ranging from the largest to the smallest, across life/annuity/health and property/casualty.

Members are invited to participate in Novarica's research projects as well as exclusive events and online communities. As a moderated (rather than self-organizing) group, the council offers an opportunity to participate in knowledge sharing without disclosing company-specific information. All survey responses and inquiries to other group members are managed by Novarica and kept confidential. Novarica's business depends on our reputation for protecting confidential information from insurers, and the firm takes this responsibility seriously. For more information, see www.novarica.com/council.

Author



Chad Hersh is a partner in the insurance practice at Novarica. For the past seven 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.