



STRATEGY MEETS ACTION

A New Day for Life and Annuities Solutions

Achieving the SOA Vision

*Featuring as an example:
FAST 8x and FAST Insurance Components*

An SMA Perspective

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*This perspective is based on SMA's
ongoing research on IT trends and
core solution approaches in insurance.
FAST has purchased distribution rights.*



About This Perspective

This perspective is based on SMA's experience, research, and insights.

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A New Day for Life and Annuities Solutions

The Pressing Need for Business Agility

In today's complex, rapidly changing world, business flexibility and agility have become significantly more important for life and annuities insurers than they were even a short 18 months ago. The remarkable pace of convergence in information and communication technologies is transforming the expectations and demands of customers. Touch technologies and robust access anywhere and anytime are forever altering how customers make decisions and how they buy insurance products. At the same time, businesses are revamping how they approach work, interact and collaborate with partners, and deliver services. Today's insurance leaders are working to further differentiate themselves by employing more "knowledge workers." These highly skilled professionals require software that is able to adapt to situational demands rather than a one-size-fits-all solution. Pressure on IT departments in the insurance industry is escalating.

This transformation is pressuring insurance business leaders to find better ways to create more responsive and adaptive organizations. These leaders have little tolerance and even less patience because of the demands of the business. They need new approaches to IT solutions that can deliver the ability to respond quickly to market changes, address dynamic customer demands, and capitalize on opportunities to do business more effectively. As a result, there is significant impact on how insurers select and deploy technology solutions – the very solutions that make it possible to execute winning business strategies and plans.

Business leaders in insurance are being pressured to find better ways to create nimble organizations that can compete effectively and profitably in a rapidly changing and often unpredictable environment.

The Promise of Modern SOA in Insurance

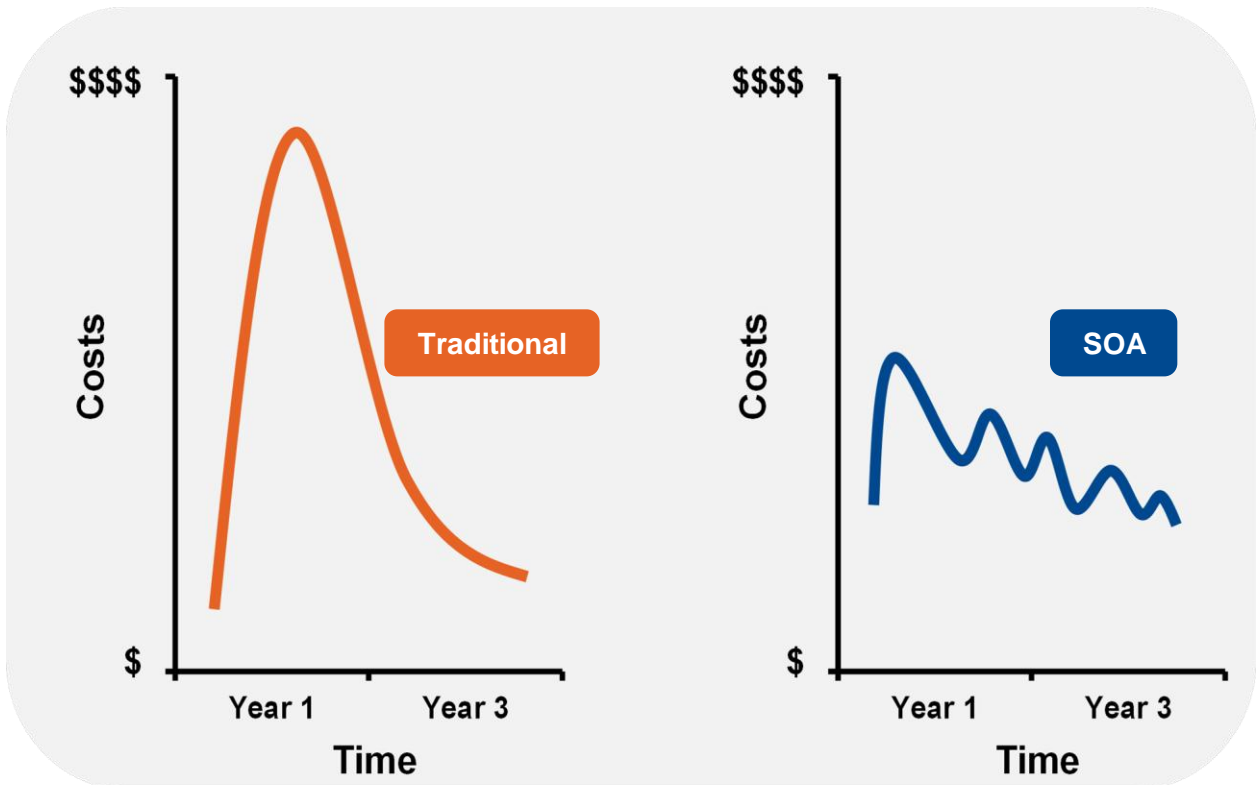
Our industry is full of BIG, comprehensive technology solutions that have evolved to be full-function, typically through add-ons and modifications to existing systems. Traditional paths to solution implementation have major flaws. They typically take too long and often result in missed opportunities. Frequently there are major, unpredictable budget hits for high-risk projects that often miss the mark. Skilled IT resources are scarce and an expensive overhead burden. Packaged software can include expansive function that is really not needed but is priced into the offering. It is not uncommon for insurers seeking legacy modernization to end up with legacy on top of legacy.

For many years, the IT industry has been capitalizing on Service Oriented Architecture (SOA) and the benefits of using plug and play components to quickly and inexpensively create agile solutions. Overall, the insurance industry has lagged behind other industries in SOA adoption. This is largely due to the high cost of changing large, complex systems that have been in place for decades. While some insurers have made great strides forward in creating the platform and architecture needed to make this vision a reality, many others continue to struggle. The SMA research in Figure 1 shows the cost and time



differentiators of an SOA approach compared to a traditional development approach. It is clear that, given the current escalating demands of the business, it is indeed time for insurers to finally bring the real advantages of SOA to the insurance industry.

Figure 1. SOA Impact on Investment Time Line and Costs



Source: Strategy Meets Action 2012

We are in the midst of an IT development revolution as the very nature of what applications are being developed and how they are being developed is changing. It is a new era for application development, a new day for plug and play, with new ways to modernize legacy systems and build replacement systems. The promise of SOA for the insurance industry is being shaped, to a large degree by the way customers shop and consume applications for their smart phones and iPads. This level of granularity is setting the bar for what plug and play is really all about. Function to support business capabilities can now be broken apart into very small, manageable pieces. Insurers are



able to pick and choose the piece parts they need as they need them. Figure 2 depicts the concept of an insurance app store and shows how the SOA components can be implemented in accordance with the needs of the business.

Figure 2. Insurance App Store Concept

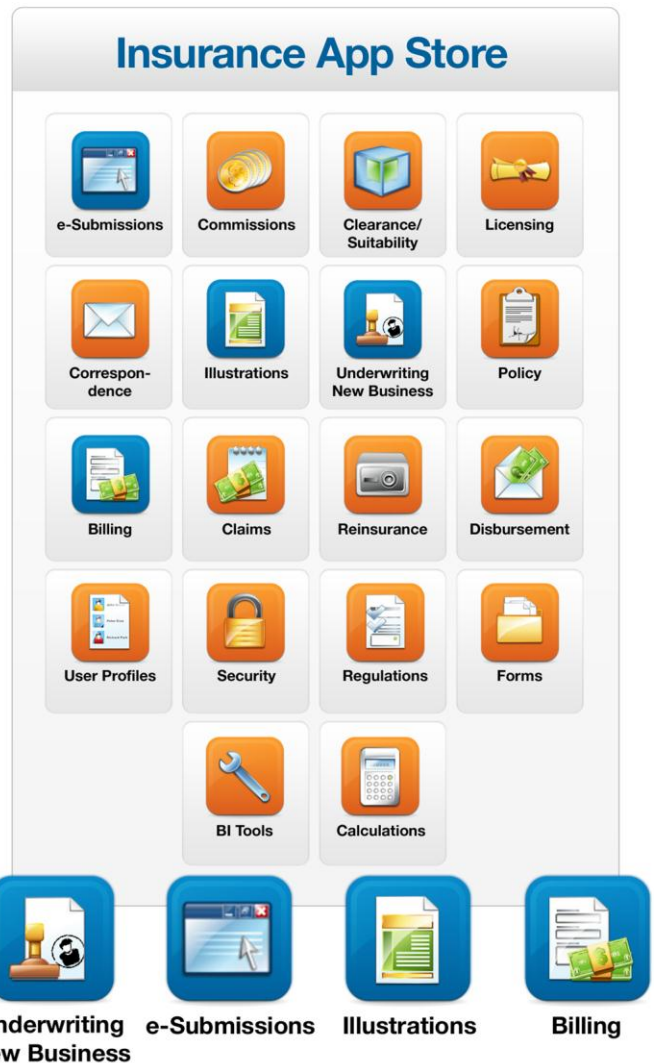
Business Needs

- Automate underwriting operations, improve workflow efficiency, eliminate paper folders
- Improve ease of doing business for brokers, improve submission process
- Support real-time illustrations that run on an iPad and are linked to underwriting process
- Improve billing pay plans, digitalize bills, and support self service

IT Response/Plan

SOA using components
Implement:

- first ... Underwriting/New Business
- then ... e-Submissions
- then ... Illustrations
- then ... Billing



Source: Strategy Meets Action 2012

The ability to roll out true plug and play business capabilities 'as you like it', 'how you like it', and 'when you like it' will quickly become the reality for the insurance industry. These customized, small modules will provide support not only for the applications that meet and serve the customers, but also for the applications that allow insurance professionals and partners to do their work in the way they want and expect. These components will help insurers build the business capabilities that are needed to drive growth and profitability.



Business Capabilities

SOA as it was Meant to Be

The traditional model in the life insurance industry for implementing software solutions is flawed. Many insurers have found themselves defining their business according to standards set by the packaged solution offerings that are available in the marketplace. This has had serious implications for some insurers, particularly in areas such as the annuity business. Software packages that are presented as being 'modern' often offer promises of configurability that can turn out to be less flexible than anticipated. Many of these packages require an all-or-nothing approach – a big bang implementation.

When SOA was first introduced, it was apparent that the promise of the approach was perfect for the insurance industry. But in reality, it has been extremely difficult for most insurers to get there as rapidly as necessary. Many of the very large and complex systems have not been built to be truly SOA compliant. There is a shortage of core system vendors that offer solutions with true plug and play capabilities. Moreover, the economic environment has not been conducive to IT change. Part of the reason for the slow progress in insurance is that the up-front cost to properly design and develop a full SOA platform and components is high. True – the benefits over time are greater, but investment decisions are often made with a short-term mentality.

It is now possible to take SOA concepts to the next level. Solutions can be broken apart into truly decoupled piece parts – pure, real, authentic SOA as it was intended to be. This new world, where smaller, spaced-out investments are possible, enables insurers to invest only in what the business really needs. It gives business users the control of solution decisions without impacting IT. Highlighted in the Figure 3 below, there are major business benefits to an advanced SOA approach.

Figure 3. Business Benefits of a Modern SOA Approach

From	To
Long Investment Time to Realize Value	Fast Business Value Delivered
Full Function Oriented	Business Process Oriented
Built to Last	Built to Change

Source: Strategy Meets Action 2012

Solutions address specific processes or workflows instead of large, complicated functional areas of the business. It is no longer necessary to substantiate major investments with solutions built to last for long periods of time. Rather, solutions embrace the change that is inevitable. With a plug and play approach, the goal is to allow components to be added with relative ease compared to traditional software approaches, and to make it simpler to unplug components. It's the integration point that becomes unbundled from the application. Business requests are handled faster. It is no longer necessary to wait months or even years until a particular need reaches the top of the long queue in the IT



department. Business capability is delivered more quickly and cheaply with a business process driven methodology.

Business Priorities Take Center Stage

Using the modular nature of SOA, insurers now have new ways to design, implement, and deploy dynamic solutions – powering them with the agility they need to compete effectively, giving them the flexibility to make change incrementally. Insurers are able to manage dynamic business priorities quickly with process-oriented solutions that handle shifting business conditions. With the ability to implement business capabilities using the timetable and prioritization that is appropriate for immediate business needs, insurers can install new solutions that are truly business process driven without hamstringing the business with enormous funding decisions.

Insurers no longer have to wait to employ new solutions for specific needs such as improving the flow of underwriting, handling e-submissions, or improving illustrations. It is not necessary to wait for a full replacement of the policy administration system using traditional methodologies that are highly complicated, entail huge investments, tie up scarce resource, and involve highly challenging data conversions. There is now an improved way to realize the benefits of a component based approach without a heavy up-front investment – an approach that, for many, makes SOA a better choice than the more widely-used solution development methods.

Recent advances have made it possible to take SOA concepts to the next level – allowing insurers to capitalize on the benefits of a component based development approach without major up-front investment.

Technology Capabilities

Development Approaches – Advantages and Disadvantages

In comparing solution approaches for the insurance industry, there are pros and cons regarding the alternatives of in-house development versus purchasing software. While the in-house approach can sometimes mean a higher degree of control and quality, from a cost perspective it is often slow, expensive, and limited in the use of innovative development techniques. Many consider outsourcing software development to be a cost effective alternative. The outsourced approach is typically faster because the service provider is able to scale to meet requirements. However, it may be difficult to achieve solutions that deliver the needed functional capabilities because it is a customized, one-off approach – versus building industrial strength software for many.

Packaged software solutions offer speed and usually deliver business innovation, but can be limiting in how well they align to specific business requirements. Packaged offerings are sometimes difficult to sustain, especially after customizations. For many insurers, these solutions involve the expense of buying capabilities that are not really needed – simply because they are already part of an inclusive package.

The Modern SOA Approach

Recent advances have made it possible to take SOA concepts to the next level, offering improved approaches to designing, developing, assembling, testing, and implementing solutions to meet the dynamic needs of the life and annuities insurance business. There are better ways to define requirements, workflows, and processes – better ways to



describe and configure the needed business capabilities. The modern SOA approach begins and ends with a business view. A business user perspective is used to define the data, the attributes of the data, the business rules, and the flows or business processes. Modern tools can help take the information from this deeper understanding of design requirements and then automatically create functional software within an SOA/component framework. This software can be further refined through business rules and, if necessary, augmented with hand-written code, and then be iterated upon via an agile development process to provide continuously evolving software components.

This modern technology approach, capitalizing on the true plug and play possibilities of SOA at its best, is extremely cost effective. Business capabilities go from concept to reality very quickly. Some insurers are experiencing a 50% to 75% reduction in the time it takes to implement new functional capabilities.

The traditional approach to SOA was horizontally layered, providing shared technology capabilities such as security, calculations, and regulations. The modern approach adds vertical layering with business oriented components such as underwriting, e-submissions, billing, and other business functions, creating a complete componentized approach – a pure plug and play environment encompassing all solution application logic modules, platforms, and data components. As Figure 4 illustrates, the technology benefits of a modern SOA approach are significant.

Figure 4. Technology Benefits of a Modern SOA Approach	
From	To
Full Policy Administration System Replacement	Components Aligned to Business Needs and Priorities
Tightly Coupled Packaged Software	Plug and Play Components
Rigid, Structured Application	Adaptive, Flexible Modules
Prolonged Development	Incrementally Deployed

Source: Strategy Meets Action 2012

Using a modern, business process driven SOA approach, it is no longer necessary to rip and replace the full policy administration system. Rather, components can be orchestrated to fit business requirements as they are needed. By wrapping these components around existing legacy systems, it becomes possible to pull function out of legacy and put it into new components, and over time, to shift the dependency of the business from legacy to new, independent, flexible components. Applications shift from being tightly coupled, to plug and play components that fit the specific requirements and priorities of the business. The business can move from the rigid, highly structured applications that are 'all or nothing' in terms of capability, to real flexibility in what capabilities are needed, when they are needed. The implementation of new capabilities moves from long development cycles to rapid deployment of incremental pieces. The IT environment becomes adaptive and flexible.



FAST

Company Overview

FAST, which stands for "Flexible Architecture, Simplified Technology", is a privately held company located in Edison, NJ. The former leaders of NaviSys founded the organization with a belief that a fresh approach is needed for companies looking to renew or replace legacy systems – an innovative, viable alternative to large packaged software solutions and expensive in-house development efforts that take years to complete.

Breadth of Functionality

FAST's combination of software and expertise helps insurers incrementally add new functional capabilities and transform legacy systems without taking on the risk and cost of traditional "big bang" projects.

There are three primary facets to FAST's business offerings:

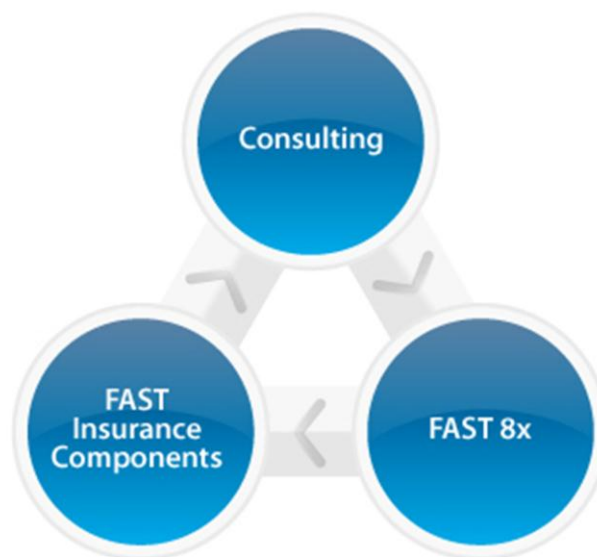
Consulting – both strategic and implementation consulting services provide a range of solutions from smaller targeted projects to full legacy transformation.

FAST 8x – a high performance software development engine allows users to build individual components that can be deployed as standalone applications or as part of a business process driven SOA architecture.

FAST Insurance Components – pre-built SOA-compliant web services and components for the insurance industry.

As shown in Figure 5, FAST brings a unique combination of deep industry expertise to the market coupled with a library of insurance components and a software development engine.

Figure 5. FAST Capabilities



Source: FAST



FAST has helped their insurance clients optimize and modernize core legacy systems with an approach that is creating a paradigm shift in expectations for development productivity, speed, and quality.

FAST is leading the way for the modern implementation of SOA in the life and annuities insurance industry. Using the FAST Insurance Components in concert with FAST 8x, insurers are able to implement a full business process driven SOA strategy and/or build services layers on top of legacy systems or newly purchased systems. The combination of pre-built and custom components gives insurers the ability to quickly expand and augment the business capabilities of existing legacy applications. FAST has helped insurance clients optimize and modernize legacy systems in core functional areas including policy management, policy servicing, distribution management, compensation management, and business process management for areas ranging from sales to claims.

FAST has been able to radically improve development efficiency, creating a paradigm shift in the expectations for development productivity, speed, and quality. Recognized for offering the ability to create web portals for policyholders, distribution, and the home office, FAST has enabled insurers to implement a "common front end" that leverages web 2.0 technology and "sits on top" of and leverages existing legacy systems.

The FAST approach allows the implementation of business capabilities to be as robust and complex, or as simple as each insurer wants and needs. It is possible to isolate small pieces so regression integration is not an issue.



Strategy Meets Action Commentary

It is indeed a new day for delivering business capabilities in the realm of life and annuities insurance. The ability to deliver on the promise of SOA is paving the way for solution flexibility and business agility. Insurers are able to respond to changing business conditions and capitalize on new opportunities that are being created by our connected and informed world.

The modern SOA componentized approach lets insurers quickly align capabilities to business strategy and needs. The blend of vertical and horizontal components reduces the time, costs, and risks involved in solution implementation. Insurers have the power to roll out new business capabilities and extend existing capabilities with minimal change to existing legacy systems, without the major constraints of full-scale policy administration implementations.

FAST offers the first application solution for the life insurance industry where insurers can buy all of the key components of life core systems capabilities or buy pieces as they are needed. Insurers are able to focus on business needs and competitive advantages instead of long requirements and design phases followed by extensive testing and rework due to integration challenges. FAST offers a solid consulting methodology and governance model complimented by a skilled staff ready to guide insurers to quickly understand, design, and implement this new way. The FAST software development engine sets a new standard for solution rollout - offering speed that can meet the real and pressing needs of the business in a climate of change.

The FAST offering presents a new approach for life insurers – setting a new standard for flexibility and speed in aligning IT solution capabilities to meet both urgent and long-term business needs.



About Strategy Meets Action

Exclusively serving the insurance industry, Strategy Meets Action (SMA) blends unbiased research findings with expertise and experience to deliver business and technology insights, research, and advice to insurers and IT solution providers. By leveraging best practices from both the management consulting and research advisory disciplines, SMA's services are actionable, business-driven, and research-based – where strategy meets action – enabling companies to achieve business success.

This SMA Perspective is a summary of SMA's ongoing research on policy administration systems, legacy migration, and SOA architecture in insurance. FAST has purchased distribution rights for summary results of selected research and opinion.

Additional information on SMA can be found at www.strategymeetsaction.com.

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