An Enterprising Approach to Rip and Replace

Session #576 – Tuesday, June 9 @ 1:30 PM
An Enterprising Approach to Rip & Replace

George Grieve, CEO – CastleBay Consulting & CB Technology Services

George Grieve is the CEO and founder of CastleBay Consulting, and CB Technology Services (CB Tech), leading insurance consulting and services providers. He is an expert in core insurance software evaluation, selection and implementation, and a frequent guest speaker and published author on a wide variety of insurance and technology topics. Grieve is a regular contributor to the *ITA Pro* magazine, writing the “IT Close-up” column. In 2012, he published the book “Shop Talk,” dedicated to the domains of software, vendors, and legacy replacement projects. Prior to founding CastleBay in 1998, Grieve was a Consulting Principal with IBM specializing in large scale business and systems integration projects for leading US and Canadian insurers. Before he joined IBM, George worked in US P&C carriers as a CIO.
Industry Trends

- Accenture: “Customer Driven Innovation Insurance Study” 2014
  - More than two thirds of customers would consider purchasing home, auto and life insurance from businesses other than insurers
  - Consumers willing to buy insurance from banks, Google, Amazon
  - Lower prices and more personalized service are the top reasons for consumers to switch
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Industry Trends

How likely are you to stop doing business with one of your auto/home insurance providers and switch to another provider in the next 12 months?

- Very likely: 11%, 12%, 10%, 5%
- Somewhat likely: 37%, 48%, 51%, 40%
- Not very likely: 37%, 39%, 30%, 23%
- Very unlikely: 15%, 18%, 24%, 34%

18-24, 25-34, 35-54, 55+
Industry Trends

High Priority Project for Insurers in 2014

(percentage of respondents citing each area among their top three priority projects)

- Policy Administration
- Business Intelligence
- Agent Portal
- Claims
- CRM
- GL/ERP

Source: Novarica Research Council CIO Survey 2013Q3
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**Market Perspective:**
- Approaches to core system modernization:
  - The bigger you are the less you want
  - The smaller you are the more you need
- An apology to our L&H brethren

**Definition of Terms:**
- Policy Administration System
- Rip and Replace
- Big Bang
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**Legacy Core System Replacement:**

- **Key Dimensions:**
  - Functional Scope
  - Lines of Business
  - States

- **Key Activities:**
  - Functional Configuration
  - Integration
  - Testing
  - Conversion

- **Best Path:**
  - Lowest Risk
  - Least (Re)work

Everyone Loves New Toys.
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Today’s Speakers:

Leslie Holden-Mikesell
VP, Professional Services
ISCS

Dan Borges
VP & CIO
Tuscarora Wayne Mutual Insurance Co.

Kevin Tate
CFO
The Philadelphia Contributionship
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**Agenda:**

- **Leslie Holden-Mikesell**  
  *VP, Professional Services, ISCS*
  - What are the benefits of an enterprise implementation versus a staged core systems replacement approach?

- **Dan Borges**  
  *VP & CIO, Tuscarora Wayne Mutual Insurance Co*
  - How can an enterprise rip and replace approach minimize productivity impact?

- **Kevin Tate**  
  *CFO, The Philadelphia Contributionship*
  - What are the potential operational efficiencies that can be gained through an enterprise rip and replace approach?

- **George Grieve**  
  - Moderated Q&A with audience
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Leslie Holden-Mikesell, VP of Professional Services – ISCS

Leslie Holden-Mikesell provides the leadership behind ISCS's industry-leading services delivery, including SurePower Innovation implementations, technical support, and training, as well as overseeing alliances with service partners. Holden-Mikesell has more than 20 years' senior management experience creating high-performing teams and delivering enterprise solutions to Fortune 500, mid-size, and start-up companies. Most recently she served as vice president, Enterprise Business Solutions at ICW Group Insurance Companies, a 50-state, multi-line family of property and casualty insurance carriers. Prior to ICW, she was with Silicon Space, LLC, building and leading teams that delivered custom application software and was a key member of the executive team that spun off Covario, an online marketing analytics company. Her early career includes positions at PeopleSoft (acquired by Oracle) and as a partner in a software company offering risk management solutions to the P&C insurance industry. Ms. Holden-Mikesell received her bachelor’s degree in business administration from West Texas A&M University.
Discussion Point #1: Benefits of Enterprise vs. Staged

- What are the benefits of an enterprise implementation versus a staged core systems replacement approach?
Discussion Point #1: Benefits of Enterprise vs. Staged

- Is an enterprise approach possible?
  - Yes, and it IS being done…
  - …successfully.

- Why now?
  - Because we can. As opposed to the past, the technology on the market and the vendors providing these technologies and implementation methodologies enable it, and it’s the future.
Discussion Point #1: For an Enterprise Approach to Work

- It all starts with architecture.
- Just having all of the modules and necessary pieces isn’t enough. They all need to work together in harmony, as one.
Discussion Point #1: For an Enterprise Approach to Work

- For a system to work in harmony, pre-integration is key.
- Taking advantage of a system with pre-integrated components can reduce integration and maintenance costs, ease talent woes and improve training time.
- From a systems viewpoint, implementing individual components requires temporary integrations, resulting in challenges.
Discussion Point #1: You’ll Reap Many Benefits

- Timeline
- Foundation and functionality
- Enhancements
- Upgrades
- Testing
- Implementation effort
- Project scope
- Team expertise
- Methodologies
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Discussion Point #1: And You’ll Avoid Some of the Pitfalls that Come with a Staged Approach

- Complicated upgrades
- Degraded user experience
- Slower product speed to market
- Limited business and IT transformation
- Project stops/starts
- Delayed retirement of legacy systems
- Multiple vendor partners to manage
Discussion Point #1: Why Enterprise?

**Transformation**
- *Staged*: Delays retirement of legacy systems, impacting the robust capabilities of modern individual and pre-integrated systems
- *Enterprise*: Enables process improvements, productivity and efficiencies, and benefits across the enterprise

**Change Management and Training**
- *Staged*: Change management increased, requires retaining talent with discrete skillsets that are temporary or not required long-term
- *Enterprise*: Minimize change management and training
Discussion Point #1: Why Enterprise?

- IT/Business Alignment
  - *Staged*: Limits business and IT transformation
  - *Enterprise*: Enhances alignment of business and IT and project sponsors, stakeholders, team members and users are in alignment, rather than functionally disparate

- Project Management
  - *Staged*: Project stops/starts, standing up/disseminating stakeholders and project team members
  - *Enterprise*: Common foundation and functionality across enterprise suite implemented “once and done”
Discussion Point #1: Why Enterprise?

- **User Experience**
  - *Staged*: Multiple systems degrades experience for agents and internal users
  - *Enterprise*: One view for all users and agents; common user interface for all functions

- **Vendor Relationships**
  - *Staged*: Multiple vendor partners to manage
  - *Enterprise*: One partner, one contract, one relationship
Discussion Point #1: Why Enterprise?

- **Upgrades**
  - *Staged*: Complicates upgrades for multiple systems, miss out on enterprise new features and capabilities
  - *Enterprise*: Ensures upgrade path and schedule with the right architecture, the module-to-module integration step is eliminated, business benefits realized across the enterprise

- **Business Continuity**
  - *Staged*: Learning curve and training, introduce manual processes
  - *Enterprise*: Minimizes business interruption, training and adoption accelerated, project teams transition seamlessly through enterprise suite modules, one system
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Dan Borges, VP & CIO – Tuscarora Wayne Mutual Insurance Company

Dan Borges is VP/CIO at Tuscarora Wayne Group of Companies, a position held since 2010. Tuscarora Wayne Insurance Company was founded in 1874 and has an A+ AM Best rating. Dan has 18 years experience in the insurance industry- mostly in IT leadership roles- and has experience in building productive IT teams and implementing core insurance applications. Before TW, Dan was part of a product development team at Insurity, AVP of IT for Mercer Insurance Group and Manager of Information Systems for Franklin Insurance Company.
Discussion Point #2: Productivity Impacts

- How can an enterprise approach minimize productivity impact?
Discussion Point #2: Productivity Impacts

- Still “at renewal” conversion process, and by LOB
- A single, integrated system reduces the cost of integration
- All employees using new system at the same time
- Image-based, historical information converted with policy
- Ramp-up provides employees short task list to gain familiarity with the system
Discussion Point #2: Productivity Impacts

- Get immediate benefit from added functionality
- Configuration-based tools should improve productivity and allow millennial resources to perform meaningful work- and like it
- Continue use and development of new/improved processes
- Begin to see ROI
Discussion Point #2: Productivity Impacts

Pull the band-aid off faster!
Kevin Tate is Chief Financial Officer and Treasurer of The Philadelphia Contributionship; a position he has held since 2009. The Contributionship, a Mid-Atlantic writer of Homeowners and Dwelling Fire business, is the oldest property and casualty insurance company in the United States, founded in 1752 by Benjamin Franklin. Prior to joining the Contributionship, he spent 23 years with Global Indemnity plc where he held a number of positions including Chief Financial Officer. Kevin is Chairman of the Financial Management Committee of the Pennsylvania Association of Mutual Insurance Companies. He is a member of the American and Pennsylvania Institutes of Certified Public Accountants. Kevin is a graduate of Lehigh University in Bethlehem, PA where he earned a Bachelor of Science in Accounting and Finance.
Introduction – Overview of TPC Rip & Replace Initiative

- Mid-Atlantic writer of HO and Dwelling Fire business

- **Pre Rip & Replace - 30 year old legacy policy/claims system**
  - Difficult to bring new rates, coverages and states to market
  - Source programs poorly documented
  - Changes to systems are programming intensive – organizational agility limited

- **Decision-making process – Two stages**
  - Rip and replace vs staged core replacement – Chose rip and replace
    - Reduced risk of integration
    - Quicker speed to market
    - Greenfield approach - New state - Maryland
  - Vendor selection process
    - RFI/RFP – Staged demos and proof of concept
Introduction – Overview of TPC Rip & Replace Initiative

- Mid Atlantic writer of HO and Dwelling Fire business
  - Current status
    - Live in Maryland and Delaware
      - New and renewal business
      - All lines of business – HO, dwelling fire and personal umbrella
  
  - Remaining state rollouts – new and renewal business / all lines
    - Pennsylvania – 2nd half 2015
    - New Jersey – 1st half 2016
Discussion Point #3: Operational Efficiencies

What are the potential operational efficiencies that can be gained through an enterprise rip and replace approach?
Discussion Point #3: Operational Efficiencies

- Efficiencies of new enterprise system gained more quickly
  - Customer Service – Integrated customer/agency touch points
    - Billing, payment, coverage, claims – Straight thru processing within integrated suite
    - One time training of agency and company CSRs
    - Quality customer service translates to increased policy retention
  - 3rd party interfaces – Ease of implementation
    - Agency management software
    - Reinsurance brokers – Premium/claims reporting, POS modeling and management of aggregates
    - Bureau and rating/claims reporting
    - TPAs – CAT claims outsourcing
    - Finance – G/L, check processing software and banking
    - Document management
Discussion Point #3: Operational Efficiencies

- Efficiencies of a new enterprise system (cont.)
  - Management Reporting – Single source of information
    - Access to operational metrics – KPIs
    - Agency profitability/profit share
    - Executive dashboards
    - Business intelligence/data warehouse
    - ERM
  - External reporting – Auditors and risk based examiners
    - IT audits / internal controls – reduced complexity
      - Common Standards – Reduced need to audit connected modules
  - Change Management
    - Provides company opportunity to holistically revise existing controls/procedures
    - Cross departmental efforts help break down “silos”
Discussion Point #3: Operational Efficiencies

- Roll out of new state on a single platform
  - Speed of deployment
    - Single platform - less testing translates to savings - cost and time
    - Reduces data mapping and data migration issues
    - Integration of staged core replacement components - time consuming, complex and costly
  - Training
    - Single system simplifies employee and agency CSR training
  - Ease of use – Single source of information for internal/external users
  - Speed of deployment increases speed to market
    - Increased top line – lower expense ratio and increased U/W profit
Discussion Point #3: Operational Efficiencies

- **IT Benefits – Getting to a single enterprise system quicker**
  - Common architecture and technology platform – integrated modules
  - Single hardware configuration and operating language
  - Ease of training for programmers, administrators and users
  - Future upgrades – easier to install/test
  - Retirement of legacy systems allows for elimination of:
    - Redundant hardware/servers
    - Maintenance and support agreements
    - Other related support / overhead costs
    - Management of multiple systems

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Thank you for your time!

Any questions for today’s speakers?

- George Grieve – CastleBay Consulting
- Dan Borges – Tuscarora Wayne Mutual Insurance Company
- Leslie Holden-Mikesell – ISCS
- Kevin Tate – The Philadelphia Contributionship
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