



# Finding the Ideal P&C Policy Administration Solution

**WHITE PAPER**



In 2012, Adaptik Corp., released *Adaptive Policy Administration: 12 Ways to Know if a System is Truly Adaptive*, our white paper which detailed the dozen characteristics of an “adaptive” P&C policy administration solution.

Since then, the space has evolved considerably. Other insurance software vendors are finally starting to claim their systems possess some of the characteristics outlined in our white paper. Likewise, technological advances and shifts in IT best practices have dramatically altered what is possible in terms of deployment, performance and efficiency.

That means, nearly half a decade later, it’s time to revisit our seminal white paper. While the factors described in it – like flexible data architecture, configuration sharing, configurable interfaces and rules capabilities – certainly still apply to our P&C policy admin solution, the last few years have brought significant improvements and enhancements. There have been so many, in fact, that we no longer consider “adaptive” a sufficient descriptor; that should be a given.

Instead, we’d rather detail the indicators of an ideal policy admin system – one that offers exceptional performance and true value in nearly every use case. Regardless of the carrier’s existing IT infrastructure, the complexity of the product or line for which third-party systems are in play, the ideal policy admin solution allows for flexibility, scalability, agility – and exceptional profitability.

## FLEXIBLE DEPLOYMENT METHODOLOGIES

No two P&C carriers are alike. Even among Tier 1 and Tier 2 insurers, internal IT capabilities, cashflow realities and technology strategies vary dramatically. One size definitely does not fit all.

That's why the ideal policy administration solution offers flexible deployment methodologies, with equally capable versions available installed on-premise or in the cloud. Both "flavors" offer distinct advantages; it should be up to the carrier – not the vendor – to choose which best fits their situation.

**On-premise** policy administration software offers unfettered, end-to-end control to the carrier's IT staff. From choosing and maintaining the physical server to providing day-to-day support, IT users can develop their own standards, practices and workflows (with some counsel from the PAS vendor, of course). This is non-negotiable for some insurers, particularly if the solution is to be deployed enterprise-wide.

**SaaS** policy admin software – like the Adaptik Cloud – is hosted in highly secure, redundant data centers, rather than the carrier's own servers. This allows IT staff to focus on other value-add activities, and can create cashflow advantages for the insurer, as hardware maintenance and system upgrades are handled by the vendor.

### Is the cloud secure?

When the solution is properly deployed, cloud-based policy administration is at least as secure as on-premise installations. Top vendors host their solutions in redundant data centers protected by biometric scanners, multiple power and HVAC sources and cutting-edge technology. Combined with constant oversight by dedicated professionals, this results in essentially constant uptime and an extremely high level of data integrity.

# 2

## ABILITY TO HANDLE COMPLEXITY

For a policy administration system to deliver true ROI, it's not enough that it aptly handles simple products and lines. Even the most rudimentary "configurable" policy admin solution, after all, can help bring a basic consumer automobile or homeowner's product to market relatively quickly and efficiently.

By contrast, today's top P&C policy admin software suites deliver a unique blend of flexibility, functionality and intelligence that empowers carriers to turn highly complex situations into opportunities for sustainable growth. By enabling build-out and changes via simple configuration, rather than coding, such solutions allow for the kind of agility necessary to actively manage and market highly profitable products in areas like workers' comp, inland marine, energy and specialty spaces.

Imagine, for instance, that a carrier's executive team has an idea for a complex and niche contractor's equipment insurance product. All indications from the business and marketing teams are that the product will be well received in a relatively small marketplace.

Do the benefits of bringing this fictional product to market outweigh the costs? Frankly, it depends on the PAS in place. With a legacy system, probably not; the high number of dependencies and variables inherent to such a complex space would likely result in a massive number of man-hours being spent on the project, shrinking final margins to zero (or lower).

Some policy admin solutions, however, would be capable of turning this endeavor into a profitable one. By largely removing coding from the equation, tools like the Adaptik Suite turn bringing a new product to market from a huge undertaking into a business objective-driven exercise in configuration. In this scenario, an opportunity is acted upon – not missed due to technical constraints.

### Is 'complexity' just about the product type?

Absolutely not! There is inherent complexity throughout P&C policy administration. Systems capable of handling traditionally difficult products and lines also present efficiencies and advantages for simpler situations. These might include "no-code" integration with third-party systems, the ability to easily streamline (or add new) distribution channels or the creation of end-to-end policy and underwriting workflows.

# 3

## SEAMLESS THIRD-PARTY INTEGRATIONS

More than ever before, P&C insurance carriers depend on a wide variety of systems and applications to keep their businesses running. While core elements – policy admin, claims, billing – are often provided by the same vendor, other systems and sources of data are often scattered throughout an insurer’s IT ecosystem ... and the “cloud.”

It is essential that any leading P&C policy admin solution seamlessly and efficiently integrate with both internal and third-party tools to obtain data (either on-demand or at scheduled intervals) or to feed downstream systems. And increasingly, carriers are demanding that these integrations be configurable by business users, with little or no coding necessary.

Take, for instance, the integration architecture built into Adaptik policy administration software. In the Adaptik Suite, configurable interfaces define the data that must be transferred and validated. Only an optional XSL may be needed to translate the data into the structure of the service being called. Such interfaces can be created on the fly, and populated with user-definable (and understandable) questions. A call to Polk for automobile information, for instance, might simply ask for vehicle type, the model year and the manufacturer. These fields are then mapped to an end-user UI and populated via an XML call – again, without coding.

The Adaptik Suite also contains the option for the configuration team to automatically share data structure with service developers via XSD and sample data – an essential step in the QA process of many organizations.

Additionally, when a new code upgrade is made available from Adaptik with new features for the Suite of products, none of these interfaces will change. The same XML structure remains intact which means system interfaces need minimal testing with an Adaptik code upgrade.

### Are such no-code integrations in production?

Definitely. Several vendors offer no- or little-code integration utilities with their P&C policy administration software suites, but Adaptik is the leader in the space. More than 75 interfaces are currently in production with existing Adaptik clients, sending and receiving data to and from homegrown apps, industry standards and everything in between. These include USPS address scrubbing, Marshall Swift Boeck ITV, rating from CGI Ratabase, STG billing and more.

# 4

## BUSINESS USER CONFIGURABILITY

These days, nearly every P&C policy administration vendor touts its solution as “configurable.” It’s been a hot term in the marketplace for years, and buyers are increasingly considering system configurability a must-have feature. But buyers beware: “configurable” doesn’t always mean what you think it means.

At Adaptik, when we say “configurability,” we mean business user configurability. The difference between that and IT configurability – the domain of many policy admin suites – is stark.

Most policy admin systems’ “configurability” depends on the fact that a good team of developers, programmers and coders can get just about any software solution to do just about anything. Problem is, making that happen means taking valuable personnel resources off of other projects for months or years, with total costs quickly running into the hundreds of thousands or millions of dollars.

Is that good enough? Is that really “configurable?” For most carriers, the answer is a resounding “no.”

Fortunately, today’s best P&C software suites – like the Adaptik Suite - offer the capabilities that business-side users need to build and modify products within a compliant, controlled framework, **all without ever touching a snippet of code.** Driven by preset business

rules and WYSIWYG drag and drop editors, the configuration tools in these solutions make it possible for insurers to swiftly and efficiently react to changing market conditions, address user trends and ensure compliance with shifting regulatory environments.

With such a system in place, the days of opportunities slipping away due to the time and cost of product modifications are over. As soon as a new product (or a change to an existing product) is approved, it just ... happens – often within minutes. That’s the power of business user configurability.

### Don’t forget rules governance!

Highly configurable, rules-based software systems should always include features for multi-threaded development and full traceability of all changes. In addition, a governance body is required to establish priority and direction of how changes should be implemented. Think of modern policy administration systems as icebergs. At the top are the instantly recognizable pieces – configuration, simple rules changes, lifecycle transactions for policies. But beneath the water line must sit a properly thought-out architecture and process for managing the changes that are bound to be required. If either piece falls short, the consequences can be dire.

# 5

## ABILITY TO CREATE STREAMLINED, LOGICAL UX

In P&C insurance software, first impressions matter. A lot. After all, no matter how well a core system functions – its seamless integration capabilities, its ability to handle a massive number of concurrent users, its support for highly complex products and lines – a clunky user interface or an unintuitive user experience can ruin adoption rates and significantly impact ROI.

It is essential that a great P&C policy administration solution makes it possible to create a highly streamlined, logical user journey – without the need for expensive and time-consuming custom coding projects. In other words, it should be possible to tailor out-of-the-box (or near out-of-the-box) functionality to the exact needs of the carrier, its products, its staff and its policyholders.

Leading policy admin vendors, like Adaptik, meet this challenge by offering users simple-to-use – but still high-powered – configuration utilities for both the back and front ends of their systems. That means users – including business users – can start by crafting new products in a logical fashion, then creating end-user pages and interfaces with a WYSIWYG drag-and-drop builder. When the product is simple to understand and the front end is created according to human preferences, rather than coding capabilities and technology barriers, good things happen.

Of course, that's not to say technology can't help. Advanced tools and functionality – like intelligent data completion capabilities, dynamic questioning, smart required fields and the ability to pull information directly from other systems without user input – can make the user experience even richer, in both overt and subtle ways.

So remember: While a system's back end often drives the buying decision, the front end is what staff, agents and policyholders see on a daily basis. If it's easy for them to navigate and makes it simple for them to accomplish their tasks, they'll be happy – and so will you.

### Think dynamic

Effective page layouts and a well-thought-out navigation path help reduce inadvertently missed data items, but it takes much more than that to enforce data completeness correctly. One key is features that dynamically control web page content, to show and capture only the data items relevant for a particular product or policy. This separates the wheat from the chaff, so to speak, and keeps the user from getting lost in a sea of unrelated or non-required questions.

# 6

## ADVANCED RULES CAPABILITIES

It's no longer enough that a P&C policy administration solution be able to tout itself as "rules-based." Essentially all leading systems meet that criteria – all rules-based really means, after all, is that business or underwriting rules are incorporated *somewhere*.

By contrast, today's best insurance software solutions take rules capabilities to the next level – empowering carriers to innovate and adapt quickly to changing market dynamics. Factors like leveraging previous work, supporting multiple rule types and straight-forward rule reapplication improve system performance, increase operational efficiency and allow product offerings to be defined by business need, rather than by the limits of technology.

Business and product rules don't come in one flavor. Some are broadly specified, applying to a wide range of customers, products and scenarios. Others are far more fine-grained, applied with a high degree of specificity. A policy administration solution needs to be able to handle both situations (including special processing) while maintaining ease of use for carrier personnel.

What about existing rule modules and assets? Typically, a policy administration solution isn't being deployed in a vacuum; there's going to be something that came before. The best options can incorporate and leverage the hard work you've already done (as well as third-party rules engines, if necessary) through rule based integration to quicken time to market and adoption.

Finally, think about rule reapplication. Without this key piece of rule management, policy data can quickly become inconsistent with the rules in place. Today's best P&C policy admin systems can detect when this happens, and automatically make the necessary adjustments.

Remember, it's not an insurance software solution's ability to utilize business and product rules that matters. It's what it can do with them – and how that affects the user.

### How rule reapplication works

Rule reapplication is critical to avoid policy data becoming inconsistent with business rules. For instance, imagine an interface where Option X can't be selected if the answer to Question A is 1, but can be if the answer is 2. If the user changes the answer to Question A to 1 from 2 retroactively and there is no process for rule reapplication, a non-compliant piece of data (Option X) remains in place.

# 7

## SCALABILITY FOR ANY EVENTUALITY

Every insurance carrier has contingency plans in place for when something goes wrong. But what about when things go *right*? If your business experiences high growth in the next year – say, a 25 percent increase in policies in force – would your core systems be able to handle it?

Some might say that would be a good problem to have; a “luxury” issue. Problem is, growth can turn to decline rather quickly if a dramatic increase in the number of simultaneous users or transactions chokes policy administration performance.

What would it take to avoid that kind of stress? Take the theoretical “high end” numbers used in a four-week benchmarking study of Adaptik’s P&C policy administration solution, conducted on Oracle Exadata database server. In the test, assumptions were made that systems deployed for large personal lines insurers must be able to support:

- Thousands of concurrent users
- 30+ million in-force policies
- 175 million online policy admin transactions per year (50 million quotes, 10 million new business transactions and 80 million change, cancel and reinstate transactions, as well as 35 million batch transactions)
- 200,000 online transactions per hour and 150,000 renewals per hour during peak load times

Do those numbers sound extreme? Absolutely; they’re well beyond the current needs of essentially every North American P&C insurer. But

planning for success means accounting for potential future growth. Every carrier should strive for systems that can handle any volume they can possibly generate.

So when you’re shopping for a P&C insurance software solution, make sure to take future performance into account. Don’t just think about your usage today. Your plan is to thrive. Pick a policy admin system that can grow with you, no matter how big you get.

### Two sides to the story

There are two factors at play when it comes to system scalability: hardware and software. To ensure optimal performance today and in the future, hardware must be capable of processing anything the software can do, and the software’s upper limits must exceed even the biggest theoretical demands. The former is relatively easy – if the hardware can’t keep up, just add more server racks! The latter, though, is trickier; software that can’t scale enough to take advantage of all available hardware creates a bottleneck.



## SUPPORT FOR LARGE POLICIES & SCHEDULES

While there may be business reasons to limit the size of policies on your system, your technology should never be the thing holding you back. If the right opportunity were to come along, you need systems that keep you nimble enough to seize it.

The biggest issue with large policies isn't simply their size. Instead, it's that they can't be addressed in a vacuum. There are real human and business factors to be taken into account when it comes to processing capabilities. On paper, having your system spend a few minutes run a complex process on a 50,000 vehicle multi-state policy might not seem like much, but it's an exercise in frustration for the user sitting at her workstation, waiting for the spinning wheel to stop. Likewise, if the system offers only synchronous ("sit and wait") processing, work halts on the 99% of policies that are normal sized while the software chugs away on that same massive outlier.

What does this mean? When it comes to policy admin support for large policies, you're not just looking for a "powerful" system. Pure throughput sure doesn't hurt, but it's the equivalent of throwing human resources at a business problem; a frontal assault. Instead, the key is to find a policy admin solution that combines exceptional performance and scalability with true intelligence: "trigger and tickle" processing, support for multiple concurrent users working on different aspects of the same policy, robust filtering and sorting capabilities, and the ability to propagate changes to all or a selected set of items on a large schedule in one shot. All these contribute to enhancing the maintainability of large policies and significantly reducing the operational cost and frustration.

Rather than taking a brute force approach to the stressors inherent to large policy management, such a P&C insurance software solution leverages all available avenues to ensure maximum performance. This allows carriers to approach seemingly indomitable tasks smartly – tapping new revenue streams without sacrificing the productivity of employees or existing SLAs.

### **Don't forget business design**

No matter how fast you make any individual operation, processing associated with a large policy takes time. The key is to make sure that both the policy administration system and the business designs (including UI) are set up to meet these unique demands. Once you have made the individual operations as efficient as possible, you may find you still want to weave in to your designs manual or system recognition of a threshold. One option is to transition to asynchronous versus synchronous processing.



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