

# Group Insurers' Best Practices for Choosing a Policy Administration System Partner

## INTRODUCTION

Many group insurance providers determine that their policy administration systems (PAS) are out of date, expensive to run, and not agile enough to meet their needs. They subsequently embark on large-scale implementations to achieve flexible systems, enhanced business capabilities, and profitable growth. Although the cost and effort are worthwhile, selecting the right PAS vendor partner is one of the most important decisions a provider can make. New PAS implementations can be costly, time-consuming endeavors that result in either a streamlined, agile system that provides a world-class user experience, or a platform that despite all assurances, offers clumsy usability and poor customer engagement, necessitating downtime, suboptimal servicing, and multiple, unexpected functionality gaps. Group insurance providers often have more questions than answers on how to make the best selection for their individual needs. It is critical for providers to remember that the best vendor selection depends on a clear understanding of the vendor's target markets and breadth and depth of relevant functionality, with speed to market, a proven track record of bringing clients' systems into production, and ongoing investment in their solutions' technology top of mind. Overall financial strength, integrity and completeness in pricing multi-phased programs, and the enterprise capabilities to make the partnership successful are also critical factors. With these considerations, group insurance providers can approach the vendor selection process with confidence and make the best, educated decision for their long-term PAS needs.

## NOTABLE RED FLAGS

When compiling a list of vendor candidates, providers must first evaluate each vendor's business, to determine their target market (s). A vendor that has multiple business lines, such as property and casualty or other non-group benefits businesses, needs appropriate staffing to maintain their group benefits business, which has its own set of complex requirements. For the business requirements, the vendor's data model and functionality should easily support different combinations of employer and employee paid product types, including particular depth with their billing and claims functionality. Providers must also confirm that potential partners will have sufficient resources to devote to their group benefits system implementation and ongoing support before proceeding with the selection process.

Throughout the industry, there is also a long history of vendors who promise various kinds of functionality and capabilities during demonstrations and sales discussions, but do not meet long-term expectations after the implementation has been completed. These problems often fall into the following categories:



- The vendor promises functional support either out-of-the-box or through configuration for various products, but lacks customers in production for these product types. It is very difficult for vendor partners to meet time and budget expectations on projects when also trying to build product support for the first time.
- The vendor will not provide pricing beyond the initial, minimal viable product (MVP) phase of the project. The initial low "entry" price can look appealing but the follow-on, a la carte approach to adding scope and costs leads to misaligned expectations, avoidable conflicts, and project failures. Expect a competitive phase one price, but also insist on honest, complete pricing estimates for the follow-on phases.
- The vendor focuses primarily on the user experience during demonstrations, but not the detailed functionality. User experience is very important, but do not passively accept that vendors can support detailed requirements based on surface-level demonstrations. Require potential vendor partners to thoroughly demonstrate how they can support critical use cases, and still provide short turnaround times.
- The vendor hides user experience gaps by not demonstrating the customer experience end-to-end, from product set-up to the many aspects of ongoing administration. Some vendors have grown through acquisition instead of by building their own products. Relying on multiple different technology types to complete an end-to-end process inhibits true interoperability among functions, obstructs easy data exchange, and leads to a clumsy customer experience.
- The vendor lacks proven enterprise capabilities, like the ability to migrate and support large, existing books of business, and offer proven scalability and performance, particularly for tier-one insurance companies.
- The technology was not initially built to support the group benefits market. Unless the initial data model and functions were built to support the group benefits markets, vendors can find it difficult to meet the complex scenarios and relationships specific to group benefits.

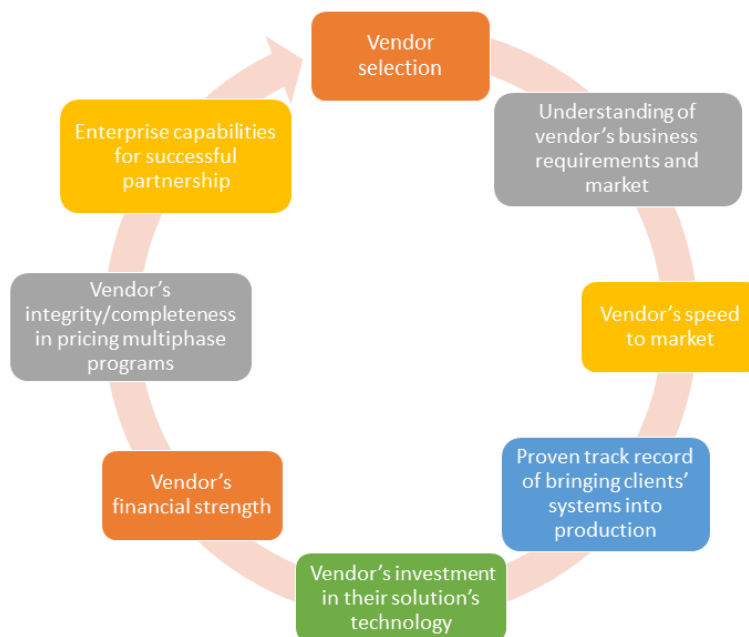
## ADDITIONAL REVIEW AND TESTING

Once providers are familiar with some of the more notable red flags, the selection process can become that much easier. After eliminating candidates who fail to meet the most important PAS objectives, providers can then refine candidate lists to introduce proof of concept (POC) tests to fully examine sales



teams' claims and promised functionalities. After focusing the POCs on the most critical requirements, group insurance providers should emerge with a clear perspective on what vendor (s) will be the best long-term partners for implementation and ongoing service and delivery. The PAS will hopefully be a part of the provider's business for many years, so the scrutiny, prioritizing, and reprioritizing of requirements and winnowing of candidates is worth the effort to achieve the desired results and seamless, ongoing operation (See Figure 1, Components of the Policy Administration System Selection Process).

**Figure 1: Components of the Policy Administration System Selection Process**



## CONCLUSION

PASs need to support providers' long-term operational and delivery strategies and offer differentiation as well as competitive advantage. For providers to achieve these imperatives, they need a vendor that offers



cloud-native technology, adaptable, proven, end-to-end group benefits functionality, and an effortless customer experience. Vendors that are dedicated to group benefits, offer data model and functionality that supports different combinations of employer/employee paid product types, financial strength, speed to market, dedicated investment in their solution, a successful track record of bringing multi-phase programs into production, integrity and completeness in pricing multi-phased programs, and the enterprise capabilities to make the partnership successful, are necessary to ensure success throughout the life of the project.

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