Business Transformation

Company's Annuity Operations Increases Scale and Gains Efficiencies Using Straight Through Process (STP) and Best of Breed platforms

The "Company" examined in this White Paper is a major financial services firm offering Variable and Fixed Annuity products through six insurance manufacturers, including its own. The Company recognized the need to improve the services they provide to their advisors to spur continued growth, increase annuity product offerings, and simplify the sales process. The distributor and their insurance partners made a commitment to move toward an automated environment. Together, they improved operations without increasing cost and implemented a configurable solution that handled complex business rules to simplify the sale and reduce Not in Good Order applications.

Client: One of the largest financial services companies in the world. Offering insurance products through its internal insurance company and network of external carriers.

Challenge: Transform and automate the new business application process in order to gain efficiencies, reduce operating costs, and improve advisor services.

Solution: Introduce automated business processes and technically advanced solutions to adopt Straight Through Processing functions.

Results: Reduced Not in Good Order applications by 50% and enabled processing of 17% sales increase with no additional operations cost.

Motivation

The Company was motivated to improve their end customer's experience during the annuity purchase process by reducing the back-and-forth conversations required to resolve the Not in Good Order application status and by shortening the cycle time from sale to contract issue. The Company wanted a way to simplify the sale in order to eliminate objections to selling annuity products. They

also wanted to ensure the back office was scalable to handle a large increase to annuity sales.

Strategy

The Company created a strategy that overhauled their annuity sales process and aligned with Ebix for their order entry system to facilitate the sale of their insurance products. They positioned their existing Oracle Insurance Policy Administration System as the configurable back office platform to process the annuity sale at their insurance site. The two platforms integrated the Company's front and back office systems to ensure a consistent advisor experience across their insurance operation. The process they adopted readily supported annuity insurance standards defined by IRI, ACORD and DTCC Insurance Processing Services, which leant itself to efficiency gains across the organization.

The Project

The project was not a small undertaking and required over 18 months of innovative thought and coordination across multiple insurers, software vendors, and outside consultants. Software and process enhancements and the creation of new processes and system interfaces were also required. The Company selected VERTEX to help create the transformation strategy and implement the process and system requirements on the Ebix and Oracle platforms as well as provide guidance and support to all of their external insurance partners. The Company and VERTEX worked together as close partners throughout the entire project.

Business and technology considerations to support the advisor's experience on the sales platform included:

- The Company's mandate to their advisors that all new business be entered into the third-party sales platform
    - o Allowed for all downstream integration and validations to occur
    - o Allowed for one consistent way to do business
    - o Ensured the adoption of the automated application process

---

- Pass through authentication and pre-fill of data from the distributor's portal to the order entry system.
- Licensing and Appointment validation at several points within the application entry process
- Auto population of customer demographic data through pre-fill functionality
- Insurance products were fully accessible and all In Good Order requirements were completely automated
- Definition of a compliance-driven, automated oversight approval review workflow included in the sales process
- Real-time messaging between the order entry system and the distributor's internal suitability system to ensure funds selected by the advisor align with the risk tolerance
- Automatic routing of suitability answers to principal review
- Real-time validation of brokerage fund account availability
- Advisor's ability to save and view applications in pending and completed status
- New business forms sent electronically between partners to facilitate the "no touch" or "light touch" straight through processing of those forms
- Requirements defined for distributor forms rules and forms creation as well as distributor rules/forms for carrier products
- Definition of distributor suitability questionnaires asked on the platform during the sales process and escheatment of insurers suitability requirements to the distributor
- Advisor consent to e-signatures and completing the e-sign ceremony
- Compliance and Sales reporting requirements
- Data Feed requirements and requirements around contract set up in Oracle Insurance Policy Administration

In order to automate the paper process and create a seamless experience for the advisor, the Company had very specific requirements and asked their insurance partners to support their requirements and provide specific deliverables during the project timeline.

Some of the insurance partners' specific requirements included:

- Insurer must make their required new business forms available on the platform and formatted so the platform is able to fully populate the form.

- Only fully completed applications would be accepted by the insurer. All information on forms that would allow an order to be processed In Good Order had to be populated on the form 100%.
- All insurance product rules are accessible and In Good Order product rules are validated real-time during the sales process.
- License and Appointment validation is required to occur real-time during the sales process.
- Application data and forms completed during the sales process are sent to the insurance partners in order to establish the contract on their new business systems.
- Internal insurer must be able to accept and process the application data systematically using the Oracle Insurance Policy Administration and DTCC APP/SUB Service.
- Internal insurer review and validation of paperwork with the ability to decline or push the order to manual compliance review when needed.
- The insurance partners must be able to accept premium wire transfers and settle commission data through the DTCC.

The Company analyzed their existing annuity offerings and selected products that fit their strategic direction. The offerings included a mix of deferred, income, variable, and fixed products. Product reviews were conducted with representatives from the Company, their insurance partners, and VERTEX to determine consistent advisor experience across products. The Company's insurance partners, and VERTEX, acting on behalf of Company's insurer, implemented changes to the product rules via the ACORD Product Profile for Annuities (1201) and demonstrations were provided to the distributor to ensure consist advisor experience across carriers.

In order to vet the product rules across insurers, VERTEX created use cases based on insurers' product prospectus and business rules documentation. The use cases included applicable business scenarios for each product and were validated by the complex.

While the external insurance partners were completing their tasks to support the requirements, VERTEX performed the same set of tasks for the Company's internal insurer. VERTEX analyzed the Company's internal annuity product offerings to

determine STP gaps, provided recommendations, and completed the stop-gap tasks to ensure the products functioned correctly during the automated sales process.

VERTEX documented the Company's internal form requirements, identified gaps in form generation and data population, created solutions to close the gaps, and performed the work. VERTEX also managed form questions and provided support to the Company's external insurance partners during the course of the project.

The Company's internal insurer needed to configure Oracle Insurance Policy Administration to accept and process DTCC's ‰APP/SUB+file, which is the data file sent from the order entry system to the Company that represents each of the applications completed, validated, and submitted on the platform. VERTEX provided the business acumen and performed the data mapping activities so that the Company could configure the platform. VERTEX worked closely with the Company to successfully manage the processing of the file into the system. The system was thoroughly tested by VERTEX so that it was fully functional in time for STP launch.

Suitability requirements are supported on the sales platform. VERTEX created the suitability questions and questionnaires for each line of business (fixed, deferred, variable and income) and tested the requirements on the platform.

The Company implemented a number of customizations to the order entry system in order to handle their unique processing requirements. VERTEX and the Company reviewed and confirmed each of the customization specifications and worked closely with the vendor to ensure the customizations were functioning properly prior to STP launch.

Integrated testing across their insurance complex was lead by VERTEX.

The Results

The Company is growing its business through its commitment to solving customer needs through a diverse set of financial solutions, so their top priority is responding to their customers'and advisors'needs. Implementing STP allowed them to simplify the annuity sales process in order to provide a better customer and advisor experience. Mandating STP ensured them that their customers, advisors, and back office would realize the benefits.

Prior to the Company's STP initiative, their sales and annuity staff relied almost entirely on manual, paper-based processes. When annuity applications arrived in the mail, new business personnel verified the information and attendant forms before typing the information into the Company's policy administration system. The paper process was labor intensive and expensive. With STP, the Company sets up the new contract on the Oracle platform the same day the application is entered by the advisor . electronically, with little to no human intervention. There is no need to reach out to the advisor to provide clarifications on illegible applications and operating costs were significantly reduced and operations are more scalable.

As a result of straight-through processing, the Company has gained the ability to quickly adopt new insurance products and process large volumes of new business applications while meeting service levels for response, reliability, and system availability. They also have taken advantage of each platform's ability to ensure that the annuity sales meet compliance and suitability requirements as well as each of the insurer's In Good Order application requirements

With STP, in just 18 months, the Company transformed its processes and was able to handle 17 percent growth in new annuity business without incurring additional processing expense.