After a Decade of M&A, CFG Emerges Unified on Sapiens ALIS Policy Administration System

By Anthony O'Donnell

Along with significant efficiency and ease-of-doing-business benefits for agents, Columbian Financial Group will be able to build on its record of growth more effectively and efficiently through the operational unity afforded by its systems consolidation.

Asuccessful run of mergers and acquisitions put Columbian Financial Group in a good place relative to its competitors, but it left the Binghamton, N.Y.-based firm saddled with six policy administration systems that threatened to inhibit further growth plans. CFG identified Sapiens' ALIS as a target platform in 2007, and now the life insurer is poised to complete consolidation onto the system.

**Stuart Smith,
Columbian Financial
Group**

CFG's began seeking a new packaged system when it was clear that none of the existing systems was suitable as a target platform for consolidation, according to Stuart Smith, senior VP, Information Systems, CFG. It was clear that the existing complement of systems would create increasing difficulties and inefficiencies as the insurer pursued its continuing M&A strategy, while also planning for 15% premium volume growth. "We had home-grown, highly customized vendor solutions," Smith reports. "Nothing was fully under support; most were administered in-house."

CFG initiated a search for a configurable n-tier system that would be scalable. Rather than issuing a formal RFP, CFG asked targeted questions of vendors and generated a shortlist of candidates. All of the vendors on the shortlist participated in a mini proof of concept, consisting of putting up the same existing CFG product on each vendors' system, and demonstrating basic new business and servicing functionality. ALIS proved to be both the most complete end to end system and the most configurable, according to Smith, who also reports being impressed by Sapiens' staff throughout the sales cycle. "Ultimately, CFG's decision was based on the total value proposition offered by Sapiens and ALIS," he comments.

The ALIS system first went live in Dec. 2008 with a new product in a new distribution channel. The following year, CFG executed its first systems conversion, making ALIS its agency system. The project comprised the transfer of the data related to over 35,000 agents with roughly 100,000 accounts signifying either a distribution channel or a compensation agreement, according to Smith.

Policy Admin Conversion

Early in 2010, CFG put a new universal life product ALIS. In October of that year the carrier completed its first policy admin conversion, eliminating a home-grown system servicing 130,000 policies. Smith acknowledges that the project raised some challenges related to converting CFG's highest-volume active new business line. "We struggled for about six months getting the system stabilized after conversion," he relates. "In our testing we missed some new business functionality supporting lead payments, which several of our big producers used heavily."

The net result for CFG's distributors was a gain, however. Because the project moved off legacy systems that were based on flat files rather than databases, agents now enjoy significantly improved access to information online. "Getting to an enterprise-level database implementation has caused our agent web portal to flourish," Smith reports.

Lessons Learned

Based on the lessons from the 2010 conversion, all of CFG's conversions will be on closed books of business. "If you can avoid converting an open block, it will save you a lot of headaches," comments Smith.

CFG will shut down its next system in June, followed by three concurrent conversions, to be completed by the end of 2014. "We're taking on multiple conversions simultaneously because we have significant internal resources familiar with the systems," Smith explains.

After that round, CFG will have one system left, representing nearly a million policies. Smith anticipates a piecemeal approach that will take roughly 18 months. "It will probably be a closed book by the time we get to it, and we'll likely take it down by distribution channel rather than line of business," he says.

From now until the final conversion, CFG will see accruing benefits from consolidating onto ALIS. The carrier will see a reduction in unit costs because of reduced legacy maintenance and the efficiencies of the ALIS system, according to Smith. For example, the number of new policies per headcount has already begun to drop. Underwriting related efficiencies included automation capabilities within the system that enable "jet-issue" or straight-through processing of a significant portion of new business. ALIS also integrates more easily with external sources of underwriting information.

On the distribution side, the ALIS agency component allows paperless transactions in some distribution channels with regard to commission statements and forms. From an ease-of-doing-business standpoint, CFG is piloting electronic applications via web service, using e-signature. "We're seeing good adoption and we're expecting to see a major gain in efficiency," Smith asserts.

Double-Digit Growth

CFG has enjoyed double-digit growth year over year during the last five years, and Smith expects ALIS to play a part in continuing that record. It's hard to gauge just how much the system has had to do with that, as opposed to market conditions that have adversely affected CFG's competition. But in addition to the measurable efficiencies and significantly improved ease-of-use for agents, Smith points to the less tangible but hugely valuable quality of unification that ALIS has brought to the life insurer.

"Columbian was assembled out of M&A and it has really been brought together as a single entity through ALIS," Smith declares. "The results of this project are melding the organization into a unit that is going to move forward much more efficiently and effectively."

SAPIENS

www.sapiens.com
Phone: (201) 820-3501
eMail: info@sapiens.com

100249