ANADOLU HAYAT EMEKLİLİK

CASE STUDY.

Anadolu Hayat Emeklilik.

From core process automation to digital transformation

fadata

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The world's pension and insurance firms need fast, agile processes to capitalize on growth opportunities. A leading Turkish firm is already ahead of the curve.

Anadolu Hayat Emeklilik (AHE) is one of Turkey's largest pensions and life insurance providers with around three million customers. The country's oldest life insurance company, and one of the founders of the Turkish private pension system, Istanbul-headquartered AHE is a leader in markets that are undergoing rapid growth and change.

The Turkish private pensions system, for example, is likely to gain 13 million new contributors in the three years from 2017 as Turkey embarks on a second-stage of private pension auto-enrolment. The Turkish life insurance market is also growing fast – AHE achieved premium growth of over 50% in term life insurance in 2016 – and the industry is busy preparing for the emerging digital economy. In the years leading up to 2017, AHE's leadership recognized that the rate of market change represented both an opportunity and a major operational challenge.

Business challenges

In particular, AHE grew concerned about the legacy system that supported its core pensions and life insurance processes such as policy administration, collections, policy surrender, and claims handling. Haldun Aydogdu, Chief Information Officer (CIO) at AHE, says that "around 65% of the firm's IT resources were spent fixing bugs in existing processes, leaving too few resources for innovation."

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>
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Creating new pensions or insurance products was complex and often meant 3-4 months spent recoding the legacy system, and it was even harder work to implement new regulatory requirements. The system was also cumbersome to integrate with other systems such as bancassurance, internet and mobile channels – a problem that could only get worse as the digital revolution played out. Meanwhile, AHE had become over-reliant on a small number of staff with the skills to maintain the outdated system.

Choosing a modern replacement platform, however, was not easy. A number of AHE's competitors had already tried to modernize their core process platforms with mixed results and the nature of the Turkish private pensions system meant any transformation project would be complicated and potentially risky. "The Turkish system was established in 2003 with a mix of features from other European pensions systems", says Aydogdu, "and its regulations are still evolving fast", including the recent introduction of auto-enrolment and changes in fee structures. Any new platform had to be modern and efficient, easy to adapt to accommodate new products and market rules, and scalable to cope with market growth.

Finding the answer

Executives began an 18-month long selection process by identifying contenders using industry sources such as Gartner's Magic Quadrant and comparing the top firms in terms of:

- Rigorous proof-of-concept tests, for example, top contenders were given 10 days to define nine AHE products within their platform
- Site visits to existing customers to hear first-hand reviews of each top platform
- Cost-of-ownership analyses and responses to AHE's 1500-item request for proposals

One system stood out from the start, says Aydogdu. The team from Fadata, with the supporting expertise of their implementation partner, EY, were able to demonstrate the rapid configurability of Fadata's process platform, INSIS, and how easily it could interface with other systems. "Rapid integration was critical because there are over 100 potential integration points in our pensions system", says Aydogdu, "including the banking systems for bancassurance, mobile applications that our customers use, the Turkish government, and internal systems such as our commissions/accounting systems."

Key Facts

- Established in 1990 as a subsidiary of İşbank (Türkiye İş Bankası)
- First life insurance company in Turkey; pensions business established in 2003
- Key business lines: private and auto-enrolment pensions; life insurance; personal accident insurance
- Headquartered in Istanbul, with 1000+ employees, serving approx. 3 million customers in Turkey and Northern Cyprus
- Market leadership
  - Largest private pensions provider by number of contracts
  - Largest life insurer by assets under management
  - Sector leader by total assets: TRY15.2 billion

Information as of 31/03/17

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Business transformation

Implementing INSIS, under the direction of EY, involved repeated rounds of on-site prototyping and gap analysis to customize the platform to the special characteristics of Turkey's private pension system, such as the way the Turkish state adds 25% to each pension contribution under certain conditions. All the idiosyncrasies were taken into account using INSIS' service-oriented architecture, which allows users to capture the complex shape of an individual business process through selecting and combining many highly granular technical and operation services.

INSIS' architecture also helped the implementation team incorporate key regulatory changes introduced at a late stage in the project. "INSIS' flexibility allowed us to adapt the whole pension product portfolio to accommodate auto-enrolment in 6-8 weeks", says Aydogdu, " compared to perhaps 6-8 months if we'd had to work with the legacy system."

The final challenge was the scale of the data transfer between old and new systems. AHE needed to transfer 2.3 million policies, together with a record of monthly payments and how these had been split between multiple investment funds over many years. That added up to hundreds of millions of transaction records that must be correct in every particular.

Furthermore, the data migration had to be conducted over a single long weekend in mid-February 2017, during planned downtime, by a team of 50 to 80 from AHE and Fadata. The team worked non-stop and there were hugs and tears as the pensions platform went live and the first users logged on to check their accounts. "It had been a huge, once-in-a-lifetime experience for many team members", says Aydogdu, "and now we've been live for five months we can say with confidence that the platform has been perfected". He puts AHE's success down to a powerful technology, a strong implementation team involving EY, Fadata and AHE experts, and a well-rehearsed plan for data migration.

The results

AHE is now reaping the benefits. "We're on course to reduce time-to-market for new products to one week, compared to 3-4 months for similar products in the past", says Aydogdu, "and business teams now carry out many minor system and data fixes without involving IT". Together with the ease of modifying the new system, "that means IT expects to spend as little as 20% of its resources on day-to-day issues and focus 80% on new development", says Aydogdu. The firm also feels in a much better position to adapt quickly to any future regulatory changes.

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Meanwhile, AHE expects labour savings of up to 50% in some core processes, while other labour-intensive processes have been largely automated. For example, the surrender process for millions of pension policies is now largely automated from the point of customer initiation, including the automated sale of funds and the automated payment of proceeds into customer bank accounts.

But the move to a modern platform is about more than efficiency. "INSIS is allowing us to roll out a set of business processes that are closely engineered around the customer journey," says Aydogdu, which will improve customer experiences while reducing operational errors through multiple checks and balances. For example, when auto-enrolling a pension customer the new platform automatically confirms each customer's bank account details before proceeding.

The biggest benefits are still to come, given the pension and insurance industry's progress towards a digital future. The speed of automated workflows on the new platform, the rapid processing of centrally-held data, and the ease of interfacing with a host of third-party systems will all prove critical for engaging customers using mobile and digital channels. "For AHE, legacy transformation was not the final destination," says Aydogdu, "but rather a first step towards digital transformation."

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Key Facts

- 2.3 million policies with hundreds of millions of records migrated over long weekend
- More than 600,000 auto-enrolment policies issued in the new system
- AHE takes first step towards digital transformation
- 1-week time-to-market for new products versus 12 weeks+ for legacy system
- Automation of key processes, e.g. pension policy surrender process
- Easy integration with self-service channels (mobile, Internet, IVR) with large volumes of digital transactions
- Business teams now conduct their own day-to-day system and data maintenance with no, or less, IT support
- Labour savings of up to 50% expected in some core processes
- IT expects to spend 20% of its time fixing day-to-day issues versus 65% with legacy system
- IT expects to spend 80% of time on new products and process innovations

About Fadata

Fadata is a leading provider of software solutions for insurance companies globally. We are on a mission to empower the insurance industry to drive customer engagement, innovation and business value. Together with our customers, we are on a journey to build the future of insurance and impact millions of people's lives every day.

Fadata has clients in over 30 countries across the globe. Headquartered in Munich, with international offices in more than 5 European cities, Fadata is backed by Private Equity Riverside and Lowell Minnick.

For more information

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