

PPS brings unprecedented flexibility to the South African insurance market

Overview

■ **Business Challenge**

The Professional Provident Society (PPS), a leading South African provider of specialized insurance services for professionals, wanted to improve its ability to bring new products to market in order to respond to changing customer demands and stiffening competition.

■ **Solution**

Working in close collaboration with IBM Business Partner Silvermoon Group, PPS replaced all of its legacy systems with a completely new, modular application infrastructure based on the principles of the IBM Insurance Application Architecture (IAA)—the first end-to-end implementation of IAA in the South African market. The common IAA-based platform unified several previously disparate policy systems.



■ **Key Benefits**

- Enabled PPS to bring nine new insurance products to market in less than one year
- Allowed rapid modification of new products in response to competitor actions
- Reduced application development costs by 50 percent
- Decreased audit findings by approximately 80 percent
- Eliminated more than 90 percent of system code
- Significantly improved controls for collecting premiums

“Most of what we need to do to introduce a new product is now easily accomplished ... It is vastly more efficient than it was before.”

— *Stephan Clark, head of business applications, PPS*

Rearchitecting the business to improve speed to market

Business Benefits

- Enabled PPS to bring nine new insurance products to market in less than one year, compared to only one new product being introduced in the previous three years
- Allowed extensive modification of new products in response to competitor actions in a matter of weeks—an entirely new capability
- Reduced application development costs by 50 percent
- Decreased audit findings (items requiring remedial action) by approximately 80 percent
- Eliminated more than 90 percent of system code
- Significantly improved controls for collecting premiums

“Our end-to-end implementation of IAA gave us [that] solid core, and we’ve been able to build on it and leap far ahead of the competition.”

— David Gnodde, chief operating officer, PPS

A challenge of flexibility

The Professional Provident Society is a South African provider of insurance products to a highly-specialized market: graduate professionals such as doctors and lawyers. The company has been in existence since 1941 and is a leader in its niche, but increasing competition has been putting pressure on PPS to innovate and introduce new products into the marketplace. The inherent nature of its legacy systems made application and product development very complex, costly and fraught with risk. As a result, it took years to introduce new products into the marketplace: PPS had only introduced one new insurance product in three years.

In order to overcome this obstacle, PPS would have to change the way the game is played on a fundamental level—making incremental advances in capability would not be enough. PPS knew that its competitors faced similar development challenges, so the company decided to make an end run around the rest of the industry by completely replacing its systems and reinventing the business.

In an industry as conservative and risk-averse as insurance, the willingness to undertake such a dramatic change is remarkable, and unheard-of in the local market. But the move paid off, and the results have been astonishing. In less than a year, PPS has introduced nine new products into the marketplace, taking their competitors completely by surprise.

A clear, objective viewpoint sets PPS apart

An important insight on the part of PPS was to recognize that what’s truly important is not what the company’s differentiators are, but rather what makes the company similar to its competitors. According to David Gnodde, PPS’s chief operating officer, “Many insurers focus on what they believe makes them different and as a result get tied to old systems and processes, believing them to have some intrinsic value. But the fact is, from a systems administration and business process point of view—the behind-the-scenes activities—insurance companies around the world are all actually very much the same. This has important implications, because it means that it’s possible to devise an industry-specific architecture that will apply to any insurance company.”

That’s what IBM did in the 1990s, when it created IBM Insurance Application Architecture. IAA is a widely accepted business and application architecture blueprint for insurance company core operations. PPS was familiar with the suite of models and chose to adopt it in its entirety, using IAA as the centerpiece of its transformation initiative. This end-to-end service-oriented architecture (SOA)-based implementation of IAA, the first of its kind in South Africa, set PPS apart from its competitors, which have only adopted IAA in a limited fashion.

Breaking the development logjam

Introducing new products to the market in the insurance industry is so difficult because of the way legacy systems work. “Our legacy systems were bound up, so to speak,” says Stephan Clark, head of business applications at PPS. “As is typical of older architectures, there were many dependencies and a great deal of duplication of data. What this meant was that if you wanted to change a rule or a policy in the system in order to introduce a new product offering, you’d have to change not just one part of the system, but many, while still keeping everything in sync. It was very risky...there were so many interdependencies that any one problem could bring multiple systems down.”

By contrast, the modular nature of the new infrastructure vastly simplifies matters. “Now, a given piece of data or code only appears once and is reused over and over, instead of being duplicated and embedded throughout all our systems,” Clark says. The new systems are thus much more streamlined with approximately 50,000 lines of code versus over 600,000 lines in the legacy systems. Development of new products is a much simpler task than it had been.

Collaborating to innovate

PPS knew up front what it needed to make the transformation happen. “Our strength is in knowing what an insurance company needs in order to run efficiently. What we wanted was a partner with the technological expertise to make that happen. We wanted a close collaborative relationship,” says Gnodde. PPS found its partner in Silvermoon Group, an IBM Business Partner that specializes in modular, service-oriented applications that rigorously follow the IAA model.

The heart of the infrastructure is built on IBM WebSphere® Business Integrator and WebSphere MQ, which handle the interactions between Silvermoon’s modular, service-oriented application components. IBM Rational Rose® tools are used to develop new products, the infrastructure is run on IBM System x™ servers and a storage area network based on IBM TotalStorage® is used to house the data. IBM Global Business Services also played a role, providing IAA training to PPS.

Compelling results

Not only has PPS been able to introduce new products at an unprecedented rate, the modular nature of the infrastructure makes modifying those products very simple. “Our competition responded to one of our new product introductions with an offering of their own,” says Clark, “but within a matter of only a few weeks we were able to modify our offering in reply. Our newfound agility has allowed us to catch our competitors completely off guard.”

Key Components

Software

- IBM Rational Rose
- IBM WebSphere Business Integrator
- IBM WebSphere MQ
- Silvermoon Group IAA-compliant applications

Hardware

- IBM System x
- IBM TotalStorage

Services

- IBM Global Business Services, IAA Training

IBM Business Partner

- Silvermoon Group
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Why it matters

South African specialty insurance provider Professional Provident Society (PPS) dramatically improved its speed to market by changing its IT architecture and business processes to a degree unheard of in its local market. PPS implemented a first-in-market, end-to-end service-oriented architecture based on the IBM Insurance Application Architecture that has allowed it to leap far ahead of its competition with an unprecedented rate of new product introductions.

The reinventing of business operations at PPS has resulted in a number of benefits beyond the immediate goal of improving the company's speed to market. An important benefit of adopting the IBM Insurance Application Architecture is that it provides a comprehensive, validated structure for the entire business, which helps companies comply with regulatory audits. As is the case in most of the world, the insurance industry in South Africa is very tightly regulated and companies are routinely checked for compliance. By embracing IAA principles, PPS has reduced its audit findings—items requiring remedial action—by some 80 percent. The new applications are also producing improved business results, with significant improvements in controls for collecting premiums.

The implications of technology

According to Gnodde, it takes considerable courage to let go of the past and use technology to innovate, especially in a conservative industry like insurance. "Doing what we've done—fully embracing a proven architecture and deploying a service-oriented architecture based on it—is in a sense straightforward, but in the context of this industry and this market, a fundamental change like we've made amounts to a whole new way of doing business. Our competitors are so focused on the perceived value of their existing processes, systems and offerings that they're unwilling to break free of them or even see that those legacy assets are in fact hampering them. We focused instead on the core of the business and thought about how to make those core functions work better. Our end-to-end implementation of IAA gave us that solid core, and we've been able to build on it and leap far ahead of the competition."

For more information

To learn more about how IBM can help transform your business and help you innovate, please contact your IBM sales representative or IBM Business Partner. Visit us at: ibm.com/innovation



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1 New Orchard Rd.
Armonk, NY 10504
U.S.A.

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