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white paper

USING SOA TO ACCELERATE NEW BUSINESS GROWTH

KANSAS CITY LIFE INSURANCE COMPANY TRANSFORMS LEGACY TO SUPPORT NEW PARTNER CHANNELS

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KANSAS CITY LIFE INSURANCE COMPANY

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Abstract

Founded in 1895, Kansas City Life Insurance Company serves over a half million policyholders across the continental U.S. with a mix of individual life, annuity and group products. Selling through a network of 1400 independent agents, Business to business (B2B) partnerships have always been a way of life for this midsized insurer. As customers are gaining more choices, selling life insurance has grown more competitive. Kansas City Life responded with an innovative strategy that leveraged its core competency: It expanded its ability to sell life insurance products by creating a new channel that enabled Property & Casualty (P&C) insurers to sell Kansas City Life's products through their existing agent networks.

The challenge, however, was that Kansas City Life could not impose its agent management structures on its new P&C insurance partners. The company needed a seamless way of integrating new agents into its adminstrative systems and Web portal. Having made the commitment to Web services and SOA, it looked to DataDirect to help create interoperability between its mainframe CICS environment and its distributed .NET Web services that powered its agent portal.

SOA provided the infrastructure flexibility needed to allow Kansas City Life to rapidly assimilate agents from new partner P&C insurers, expanding its business into new areas with reduced IT costs and faster time to market.

I. The Business Issues at Kansas City Life Insurance Company

Kansas City Life Insurance Co. is a midsized, $500 million publicly-held firm that sells a variety of life insurance products through a network of 1,400 independent agents throughout the continental U.S. The combined effects of financial industry deregulation and the emergence of new online self-service channels for consumers to manage their finances has introduced new competition to a traditionally static sector. As a result, the sales cycle has grown longer, and with a widening array of investment options, profit margins have grown thinner.

The result is that Kansas City Life had to embark on more aggressive growth strategies to survive. Over the past decade, it has steadily acquired new business, either through mergers and acquisitions (M&A), or through the purchase of blocks of policies on the secondary market. However, in an industry where consolidation has become the norm, Kansas City Life had to innovate more aggressively to leapfrog from the pack.

It chose a strategy that leveraged one of the company's core strengths: its ability to partner to create a new business model that could tap new markets. Kansas City Life chose to partner with Property & Casualty insurers who were seeking to expand their own lines of offerings to strengthen business with existing customers. If executed properly, the strategy would become a true win-win: Kansas City Life could grow sales by adding "new feet on the street," but without having to pay the cost of building new agent networks. For Kansas City Life's partners, it would provide the opportunity to gain greater mindshare with their customer by offering a one-strop shopping experience.

However, to succeed, execution would have to be seamless and transparent. Partners required the ability to sell Kansas City Life's products under their own brands, using their own systems. Kansas City Life could not impose its own agent management systems or data structures on its new insurance reseller partners.

Putting a New Face on the Legacy System

Like many insurers, Kansas City Life relies on legacy CICS/VSAM platforms to run the core of its business. Within this environment the company has been known as a technology innovator. As a rule, insurance companies typically maintain multiple policy administration systems. Early on, Kansas City Life realized it could achieve increased efficiencies by consolidating all of its business on Computer Science Corporation's CyberLife policy administration system. Eventually, other CyberLife customers patterned their implementations after Kansas City Life's practices and system configurations. By placing all major policy lines on a single system, Kansas Life was well prepared to provide policyholders a unified view of their coverages when the company added a Web presence.

CyberLife handles all aspects of life insurance policy administration, extending from new business through claim processing including product definition, new business underwriting, administration, billing and collection, distribution management, correspondence and reporting. Kansas City Life relies on the CyberLife system to manage its entire line of products, including individual and group policies, conventional and term life, annuities, and variable policies that are equities-based.

CyberLife provides a complete solution for policy management, including a mainframe based client information. Kansas City Life opted to build its own distributed client information system that provided a customer view via the web portal for agents and integrated with the CSC agent management system. "It was a major challenge to cut across systems to tie customers and policies with agents in the field," explained Les Freund, former Kansas City Life CTO and enterprise architecture consultant. "Many of our customers had multiple policies with us and with other carriers. Our agents needed to see the big picture."

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Kansas City Life began working with DataDirect as it developed the Web portal for its agent network that provided product and customer views. As the company developed its Web presence, it built a multi-tiered architecture that included IBM DB2 and Microsoft SQL Server as the data tiers, and a mix of Microsoft .NET and Java for the Web application tiers. Using DataDirect's mainframe integration products simplified the task for .NET and Java developers to access mainframe data using standard industry APIs.

For instance, when the company built its client information system for the agent web portal, DataDirect's Shadow allowed Kansas City Life the flexibility to aggregate and wrap multiple views of CICS/VSAM data as a Web service that could be utilized by either Java or .NET developers. Using Web services and SOA proved to be a critical piece in the company's ability to transform its legacy systems into applications that more effectively provided their agents with policy and customer relationship information.

II. Opening A New Channel

According to Freund, the web portal enabled any appointed agent to get a consolidated view of their dealings with Kansas City Life. However, Freund, added, it still had some significant limitations. "We've always had the need to provide our agents the ability to get a complete customer view, but since we're usually not their only carrier, we couldn't deliver it," he admitted. When Kansas City Life undertook a brief experiment in working with brokerages, it reassessed its Internet strategy. "That's where we started realizing that we had to compete with a lot more companies than we ever competed with before," said Freund. "Customers were taking more proactive views of their investments. Today, people are more aware of what insurance policies should do for them, and whether they should be part of their portfolio."

The company had to adopt a more aggressive strategy that could multiply its presence in the market. Kansas City Life has been steadily acquiring new business over the past decade, either through M&A or through the purchase of blocks of policies. This strategy was hardly unique and simply enabled the company to keep pace with its rivals. Furthermore, digesting acquisitions was time-consuming, requiring an average of two years to fully integrate the business into their core back end systems.

Instead, the company looked to a novel partnership strategy that would enable growth without the time and expense of acquiring or building up new agencies. It

began a program of partnering with carriers outside of its business who were eager to add new lines of coverage to provide a one-stop shopping experience for their customers. The key to the new program was that Kansas Life would provide the life-related insurance products while the new partners would provide the branding. Consequently, Kansas City Life could not impose its own systems, data structures, or processes on its new partners, rather it needed to offer them products and services that they could appear as their own.

Using SOA to Open the Channel

Kansas City Life began looking at Service-Oriented Architecture (SOA) when it found the need to reuse some of the customer profiling services. "We wanted to reuse some of the same references that were developed for the Web and distributed environment in some of our mainframe batch processes," recalled Freund. However, initial moves to replicate the Services caused data synchronization and code maintenance problems.

Furthermore, at the time, CSC was developing a distributed interface for CyberLife based on WebSphere, but Kansas City Life needed these capabilities before that version was released. "We started talking to DataDirect at that point," recounted Freund, noting that the company already had experienced several successful implementations using DataDirect products, specifically, the original web portal project, an interactive voice response (IVR) system for the call center, and a customer access web application.

"During the technical analysis for how we could utilize the portal to support this new channel we began to explore how we could make network calls from the mainframe to our distributed platforms." DataDirect provided a mainframe Web services product that enabled Kansas City Life to consume as well as expose web services on the mainframe. It did so without adding the complexity of an additional tier, or making major changes to the core operations of the mainframe applications. This approach helped to accelerate the project and reduce the amount of developer resource by approximately fifty percent.

DataDirect's mainframe SOA technologies allowed Kansas City Life to reuse not only its legacy assets but also the distributed Web services that it had developed. For instance, because Kansas City Life already relied on CyberLife for all of its policy lines, it could:

> ➢ Use CyberLife to identify policy events within the legacy environment;

> ➢ Rely on DataDirect Shadow z/Services to expose the data events as industry standard WSDL; and

> ➢ Call out from the mainframe to a distributed Web service on SQL Server, which aggregated policy events regardless of their origin.

It provided real-time support, enabling CICS mainframe transactions to call out to a distributed web service that notifies the web portal as events occur during the day. These transactions update a distributed database that is used to categorize and summarize the activity at the end of the day. "We could not impose our agent ID structure or hierarchy on the partner. We had to conform to their network and conduct the transformations internally," recalled Freund. "We relied on DataDirect because it significantly simplified our web services implementation."

By exposing batch updates through a Web Service, the mainframe could submit a service request asynchronously and, in turn, invoke a Service that transforms

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incoming data from the partner to a form usable by internal systems. The process then reverses when partners request policy data from Kansas City Life.

A good example is the process for validating a partner agent. Because insurance is a highly regulated industry, where licensing, disclosures, and policy provisions vary by state, agents must initially get certified to sell the private label-branded Kansas Life products. After they are fully vetted, the partner's agents submit their information in native format as a SOAP request to a service that Kansas City Life publishes. In turn, Kansas City Life employs its own transformation engines to convert the data to its own structure, and then triggers another Service request to validate the agent's credentials. Once they have validated the agent's licensing, Kansas City Life passes the authorization back to the partner's system.

By utilizing a Service-oriented approach, Kansas City Life eliminated system dependencies in what is a highly complex process. The ability to use real-time events in combination with SOA allowed Kansas City Life to proactively scale its service offerings to accommodate the new block of agents associated with channel partners.

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III. The ZapThink Take

At first glance, the introduction of a new class of external business partners appeared to be the impetus for Kansas City Life's SOA transformation. The conventional wisdom is that the world is a heterogeneous place. If your company is to align with other businesses in a heterogeneous world, you cannot realistically expect partners to fall in lockstep with your systems if it requires them to change theirs.

In Kansas City Life's case, the conventional wisdom was completely true. To grow its business, the company had to interoperate in a new environment where it had less control than ever. Although well versed in working with partners, it was mostly in a hub and spoke arrangement pairing modest-sized agencies with a home office that shouldered the full burden of policy administration. But in this case, Kansas City Life was working with a new class of partner that was in every respect a peer. And consequently, the company could not realistically expect to impose its own management and reporting structures on entities which already had their own. And, even in the unlikely event that Kansas City Life's new partners would have actually been willing to embrace its systems, such an approach would have proven a waste of money and time. It is far more cost effective to enable partners to focus their time in selling product, rather than adopting and learning new systems. The DataDirect Shadow mainframe products helped the company build the SOA technology infrastructure that was pivotal in enabling Kansas City Life to realize its new business strategy: adding new agent networks like this without having to build them from scratch.

Kansas City's new partnering approach clearly paid off. The channels-based partnering program, which began in 2003, grew quickly to account for 20% of new sales. Kansas City Life has continued this approach, recently signing a new agreement with another P&C company to resell its life products through a network of early 600 sales representatives.

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About ZapThink, LLC

ZapThink is an IT advisory and analysis firm that provides trusted advice and critical insight into the architectural and organizational changes brought about by the movement to XML, Web Services, and Service Orientation. We provide our three target audiences of IT vendors, service providers and end-users a clear roadmap for standards-based, loosely coupled distributed computing – a vision of IT meeting the needs of the agile business.

ZapThink helps its customers in three ways: by helping companies understand IT products and services in the context of Service-Oriented Architecture (SOA) and the vision of Service Orientation, by providing guidance into emerging best practices for Web Services and SOA adoption, and by bringing together all our audiences into a network that provides business value and expertise to each member of the network.

ZapThink provides market intelligence to IT vendors and professional services firms that offer XML and Web Services-based products and services in order to help them understand their competitive landscape, plan their product roadmaps, and communicate their value proposition to their customers within the context of Service Orientation.

ZapThink provides guidance and expertise to professional services firms to help them grow and innovate their services as well as promote their capabilities to end-users and vendors looking to grow their businesses.

ZapThink also provides implementation intelligence to IT users who are seeking guidance and clarity into the best practices for planning and implementing SOA, including how to assemble the available products and services into a coherent plan.

ZapThink's senior analysts are widely regarded as the "go to analysts" for XML, Web Services, and SOA by vendors, end-users, and the press. Respected for their candid, insightful opinions, they are in great demand as speakers, and have presented at conferences and industry events around the world. They are among the most quoted industry analysts in the IT industry. ZapThink was founded in November 2000 and is headquartered in Baltimore, Maryland.

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