

# Building a Distribution Infrastructure on Demand

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# About Manulife Financial

## **Our recent merger with John Hancock positions Manulife as:**

- 20,000 employees in 19 countries & territories
- Largest market cap company in Canada
- Second largest Insurance company in North America (market capital)
- # 1 or 2 in United States
  - Total Life, LTC, Annuities
- # 1 or 2 in Canada (with Maritime Life)
  - Individual Insurance, Group Life, Health, Pensions, Fixed Annuities, Seg Funds
- Strong presence in Asia

# Manulife Canadian Division

## **Our Canadian division :**

- Focus on 3 LOBs
  - Group/Pensions
  - Individual Insurance
  - Individual Wealth
- \$ 500M business (2003 YE)
- \$ 40.8B Funds Under Management

# Manulife Canadian Distribution

**Today, Canadian Individual has three separate and distinct field distribution structures, or channels, each with its own unique value proposition.**

➤ **Three channels**

1. Independent Advisor Channel
2. Corporate Accounts Channel
  - Managing General Agencies
3. National Accounts Channel

# Canadian Individual Distribution

**Independent Advisor Channel**

**Corporate Accounts Channel**

**National Accounts Channel**

**IAC Value Added Services**

**Distribution Services**

- Compensation & Contracting
- Rewards & Recognition
- Communication
- Compliance
- Finance & Planning
- Marketing Services
- Technology

**MSIL**

**Individual Wealth Management Field Services**

- Wealth Management Wholesalers
- Advanced Sales Support
- Dealer Services

**Individual Life Centre Professional Services**

- Tax & Estate Planning
- Field Underwriters
- Field Actuarial Consultants
- Living Benefits Wholesalers
- Large Case Services

# MGA Strategy Development

## **Significant change in business strategy in January 2003**

- Small MGA presence - # 12 in Canadian market
- Target – top 3 within 24 months
  
- Development of separate channel with a national focus
- Development of a channel ‘Value Proposition’
  - Service ‘neutral’ approach

# The Problem was ...

Our current suite of agency systems could not support the new MGA strategy

- **Support for multi-level relationships (MGA/AGA/GAB)**
- **Automated roll-up and override calculations**
- **Weekly pay frequency**

# Our Challenge was ...

Previous history of agency systems projects reflected poor results

- **Four previous failed attempts**
- **Lack of Management confidence**
- **Immature vendor solutions**

# What this meant to us

## **As a result of our current system limitations:**

- MGA's could not track business written by reps of Corps – business was tracked at the Corporate level only
- Distribution Admin Field Comp manually calculated overrides and roll-ups for each pay period.
  - Cancel system-generated cheques
  - Used thousands of spreadsheets to calculate the overrides
  - Manually entered roll-ups into pay system, perform necessary accounting, and request manual cheques
  - This made it difficult to deliver pay or statements electronically

# The Solution

## **Implement an administration system for our MGA Channel**

- Continue to rely on existing Agency Systems for other channels... for now ...

## **DSPA's 'FASAT' application**

- Provides a solution to meet the requirements
- Positions us for future enhanced capabilities across all channels
- Significant penetration within other carriers successful in the MGA vertical

# Project Goal

Support the MGA Strategy:

- **Make service level we offer a 'neutral' influencing factor for MGA's**
- **Start project April 1, 2003**
- **Minimize customization of FASAT**
- **Implement FASAT by Oct. 31, 2003**

# How Did We Succeed?

**Four contributing factors to success for this project:**

- **Team Structure/commitment**
- **Strong Product/Vendor**
- **Strong Senior Mgmt commitment**
- **Clear goals and strict scope control**

# Team Structure

## **Recognize the strengths of all of the resources available**

- **No one knows the business like the business**
- **Systems team understands integration implications as well as processes**
- **Vendor is familiar with the product, and a reference for how things are being done in the industry**

## **Resulting in three 'sub-teams'**

- **Functional (I.e. FASAT)**
- **Migration**
- **Interfaces**
- **Sub-Teams didn't reflect any particular organizational structure**

# Business Knowledge

## **Assembled a team of business specialists**

- **Consisted of Senior Specialists from Compensation Admin Team, an Accounting Specialist, and a Business Project Manager**
  - **Representing their expertise**
- **Assigned to the Functional, Interface, or Migration team based on best of fit of their knowledge**
- **Contributed to definition of specs, testing, and final acceptance of the system**

# Systems Knowledge

## Assembled a team from Systems

- Consisted of:
  - 1 Systems Project Manager
  - 3 Business Analysts
  - 1 Business Consultant
  - 5 Designers
- Assigned to the Functional, Interface, or Migration team based on best of fit of their knowledge
- Contributed to definition of specs, testing, and final acceptance of the system
- Manulife designers were responsible for programming interface and conversion-related work

# Strong Product/Vendor ...

- **FASAT has been successfully implemented in several Canadian Insurance Companies**
- **Has a history of being on time/on budget**
- **Each member of the DSPA team has done this before**
- **FASAT comes with PMA (Project Management Assistant) – proven methodology**

# Strong Senior Mgmt support ...

- **Initial Business Case approved at Executive Vice President Level (Canadian Division, Corporate CIO)**
- **Control group included Senior Management within the Distribution Organization**
  - Weekly CG meetings, decisions made on the spot
- **Steering Committee included senior Distribution and Canadian Division Management**
  - Monthly meeting to validate CG decisions
- **Key was a high level of alignment in understanding of importance at all level levels within the organization**
  - The project received whatever support was required

# Support within Distribution Organization

- **Senior Management made it a priority to support this project**
  - Made themselves available as required
  - Drove out solutions when required
- **20 Project Resources for 7 months had an impact on Distribution**
  - 10 Full-time resources removed from Compensation Admin team required enormous commitment from the 'at home' team
  - 9 Resources committed from Dist. Systems required flexibility on part of the entire team to ensure other commitments were met.
  - Distribution Finance met ongoing obligations with a full-time resource working on FASAT

# Clear Goals & Scope control ...

- **Implementing a mature product gave us a huge advantage**
- **Our goal was NOT to implement the ultimate Administration System**
- **Business Unit and Systems team were both 100% on-side**
  - **Minimized conflict when we trade off scope to meet our timeline**
- **Control Group and Steering Committee were very supportive**
  - **Were reluctant to approve Change Control**
- **Aggressive timeline helped us keep our focus**
  - **The timeline was everyone's 'common enemy'**

# The end result ?

- **Migrated:**
  - 67 MGA's
  - 88 AGA's
  - 8,000 active brokers (17,000 total)
  
- **Delivered on project scope**
- **Live on planned pay cycle – Tuesday Nov 4, 2003**
- **Slightly under budget**
- **All 'essential' requirements were developed and implemented**
- **High and low priority requirements are logged for future consideration**
  
- **Ranked # 6 in MGA channel at end of 2003**

# Some Perspective...

- Prepared over 400 Functional Specifications
- Wrote and executed over 3000 test plans
- Reviewed over 60 interfaces for potential inclusion
- Defined over 665 unique transactions
  - 481 of those have an 'associated' transaction
- Completed over 40 essential manual migration tasks
- Validated the converted data over 50 different ways
  
- Consumed over 700 pounds of chocolate, 73 roast chickens, 450' of submarine sandwiches

# What's happened since launch?

- **Regular amount of post-release fall-out**
  - **Project is still considered a success**
- **In 2004...**
  - **Delivered XMLIFE Data Feeds for Compensation Feb. 28**
  - **Converted National Accounts Channel to FASAT April 5**
  - **Launched FASAT Web April 30**
    - **Interface for direct viewing by brokers of their compensation information**

# What's next ...

- **FASAT is our new 'Go Forward' technical platform**
  - **Allows streamlining of processes**
  - **Achieve Organizational Efficiencies**
- **Our Plans**
  - **Integrating 3 Maritime Life Systems in 2004**
  - **Independent Advisor Channel support in 2004**
  - **Retire Agency in 2005**