

## As a Pioneer in COLI/BOLI Policy Administration, Providing Comprehensive, Integrated Policy Administration, Plan Administration and Support Solutions, Andesa Services, Inc. may be the Best-Kept Secret in the Insurance Industry

Technology  
Financial Services  
(Private)

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**Ron Scheese**  
President and CEO

**BIO:**

Ron, Andesa's CEO since January 2011, is responsible for guiding the company toward its present and future goals.

Prior to being elevated to CEO, Ron had served as Andesa's Chief Administration Officer and Chief Financial Officer since 2006. Ron, who began his career at Ernst & Young, has served as CFO for two healthcare organizations and as a Product Line Manager in Decision Support Services for Quadramed, a software and services solutions company.

Ron is a CPA with a Bachelor's Degree in Accounting from Albright College.

**Company Profile:**

Andesa Services provides comprehensive, integrated policy administration, plan administration and support solutions for life insurance and annuity carriers and producers.

Andesa began as a pioneer in the field of COLI/BOLI policy administration. Today, more than 30 years later, we partner with numerous insurance companies, including seven of the top 13 life and annuity carriers and several top distributors. We offer a suite of services through software-as-a-service (SaaS) and business process outsourcing (BPO) models using streamlined, secure cloud technology – all backed by decades of proven, practical expertise in the industry.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFO Magazine**

**CEOCFO:** Mr. Scheese, you have been CEO about a year and a half, how has Andesa changed under your leadership?

**Mr. Scheese:** We have been in business for thirty years, and at our core is a culture and a set of values that does not change regardless of what is going on around us. It is who we are and what we aspire to. Against that backdrop, I would say the changes that have occurred in the last eighteen months have been a focus on continuous improvement of our processes and our technologies. We have historically enjoyed great client satisfaction and great employee satisfac-

tion, so we continue to focus on those areas. It is just a continued focus on what we do well and making it better each and every month.

**CEOCFO:** What is the focus at Andesa?

**Mr. Scheese:** We were founded about thirty years ago and at that time, we were the pioneers in COLI/BOLI insurance policy administration. COLI/BOLI is Corporate Owned Life Insurance and Bank Owned Life Insurance. Over time, we evolved to where we are today. We provide comprehensive policy administration, plan administration and sales support solutions to life insurance and annuity carriers. Seven of the top thirteen life insurance companies in the world use our systems and we count them amongst our clients. We also support top brokers and distributors with our technologies. Our tools and software solutions are Software-as-a-Service (SaaS) based technologies over a streamlined, secure cloud platform. Our systems are fully integrated with each other, which provides our clients access to information and custom configured solutions for their products. It provides them accurate information and accurate policy illustrations while taking advantage of cloud technology to provide it at a lower cost. At our core, what we are extremely proud of here at Andesa is our employees. It is our employees who work with our clients to provide solutions and solve their administrative problems. I mentioned the culture what we hold core to us. It is an employee-centered culture; we believe that having very satisfied employees leads to high client satisfaction. Over that thirty-year period, it is

a reason we have never lost a policy administration client. Once they are with Andesa, we continue to work together in partnership. Our employees build those relationships and continually improve and solve our clients' problems.

**CEOCFO:** What makes your systems special?

**Mr. Scheese:** By definition, policy administration is all that needs to be done to be the system of record for a life insurance policy. All of that data from the time the policy is issued through all of the renewals, terminations, cancellations, restatements, claim settlement, etc., a policy administration system has to be the system of record for all of that. Our core systems provide all in-force policy value calculations; they track all of that information and allow our carriers to have access to that information. Several aspects make our systems unique. First off, we deal with sensitive financial information. For us, accuracy is critical in our operation. When a carrier client entrusts us, we know that we are going to be responsible for that policy for thirty to fifty years and we take that trust seriously, so our systems are designed to make sure we have accurate in-force policy value calculations. We have designed our systems to be seamless with regards to retroactive processing and recalculations of values, so it allows clients or carriers to report using an as-of date basis but it solves a huge administration issue with regards to undo, re-do, and corrective processing. If you need to go back and restate something, you can do it in our system and then be able to report as of a date or what it would have been if it had been corrected as of that date as well. The second thing that makes us unique or special is that our illustration engine is integrated with our policy administration engine. It uses the same administration engine on which we administer the policy. What that does is ensure that the policy values come from that same product calculation engine therefore guaranteeing the same values that are going to be administered. The third thing that sets us apart from our competitors is our

SaaS, cloud-based technology approach with a highly configured core engine for our carriers. It allows our client to take advantage of a core system that is developed and configured to their unique product needs. However, it shares all of the interactive systems, all of the interface systems, all of the look-and-feel systems, which are internet-based, and it allows them to provide access to the information, which helps keep their costs low when it comes to implementing a solution.

**CEOCFO:** What is the revenue model for Andesa Services?

**Mr. Scheese:** Our revenue model is a SaaS-based solution. About 75% of our revenues come from fees associated with hosting and supporting those policies on our system. It is based on policy volume and assets under management with regards to recurring revenues. The other 25% of our revenue base is the project-specific work we do with our clients,

**We may be the best-kept secret in the insurance industry. When our clients put their trust in us, we work together with them and solve a problem. Their success becomes our success - Ron Scheese**

whether that is implementing a new product on our system, putting a new product out into the marketplace or a carrier converting off an older administrative system onto newer technology or technology that is more modern.

**CEOCFO:** Would you tell us about your new website?

**Mr. Scheese:** We launched our new website at the beginning of the month. Our company has grown over the years predominantly from word of mouth. To some extent, we may be the best-kept secret in the insurance industry. When our clients put their trust in us, we work together with them and solve a problem. Their success becomes our success and then they look to us for their next problem, they will contact us and we will get another project or an additional problem-solving opportunity that will turn into the development of a new tool or application. As individuals move from one insurance company to another, we often are called by that individual

to deal with the problem or a similar industry issue that they are facing in their new company. That is how we have grown over thirty years. Our new website was geared toward beginning to better position Andesa, provide increased visibility in the marketplace and help describe the breadth of our services. We are certainly more than just a COLI/BOLI administrator. We have grown, so the new website was developed to better describe what services and solutions we provide. The driver of the corporate website was to better tell the Andesa story from what we had previously provided on our site which was much more specific to the corporate markets, the COLI/BOLI insurance and the particular tools in that industry. We kept that but expanded the descriptions to include our full suite of service offerings.

**CEOCFO:** What is the competitive landscape?

**Mr. Scheese:** It is a tough market. The industry is served by a number of software companies, business process outsourcing companies and large companies with a great deal of capital.

From a pure cloud-based technology solution, I do not believe there is anybody offering their solutions solely in the cloud; most are offering policy administration as a software-sale model where they are actually installing the software at the client location. We feel we are uniquely positioned from a cost standpoint because of the cloud technology to compete. I mentioned the other aspect of the technology side is business process outsourcing, where clients are looking to not only have a technology solution but often augment that with people solutions. We see that as an opportunity to grow by doing more outsourcing, and there seems to be a need for that as carriers are looking to reduce cost.

**CEOCFO:** Is the industry becoming more comfortable with the cloud?

**Mr. Scheese:** It is a growing percentage of the business. These are financial products with sensitive information where security becomes the key driver for much of the decision-

making when a cloud-based computing model is considered. For some of the problems they are trying to solve the cloud solution makes more sense. If they want to get into a market with a new product faster, if they are uncertain about the success of that product in the market, and they want to be able to put something into the market in a rapid manner with a lower initial investment and trial, the cloud makes sense. Carriers seem to be much more willing to put niche products with unique features into a cloud environment. We do see those clients who are faced with many policies that they sold for many years whether it is annuities or life insurance. They have now gotten to the point where those products are no longer being sold and the high cost of maintaining them on an application in the client's environment – the staffing cost, the IT cost – is prohibitive. They look at the cloud as a potential to reduce their technology cost and that is where that whole ITO (information technology outsourcing) or BPO (business process outsourcing) is also coming into play. Not only are they looking to reduce their technology cost, but sometimes their people cost in that runoff business or in that closed block business. While we see the cloud growing and we see much more interest from the insurance industry, we see our carriers being cautious and trialing adoption in terms of some unique problems that they are facing as they adapt to more cloud technology.

**CEO CFO:** As the regulatory environment changes rapidly, how do you keep up and make sure you are able to adapt what you are offering or what you are tracking to accommodate change quickly?

**Mr. Scheese:** I think government regulation is one of those tough situations especially right now, so we make sure that we stay current with market information and the attending of trade conferences. We promote industry-wide education. As a matter of fact, in the last two years our company has been awarded the Excellence-in-Education award from LOMA, one of the insurance industry's

premier organizations. That is based on a number of staff people that are attending courses, passing exams and moving through their industry credentials. We need to invest in education. The other aspect of that is we often work closely with our clients on pending regulation. As you might imagine, from the regulations we can glean a standard as Andesa sees it, but each compliance officer and each attorney within a carrier may have a different interpretation; a carrier may be willing to take a little bit more risk with regard to a regulation that they understand. We try to design our systems to have a core standard and then configure pieces of that compliance or pieces of that regulation to a client-specific interpretation of that. We demonstrate to our clients what the Andesa standard is but we are also able to configure changes to that code if our clients so desire based on their interpretation.

**CEO CFO:** What is ahead for Andesa?

**Mr. Scheese:** If I look out the next couple of years from an internal perspective, we will continue to do what we have been doing: Work closely with our clients, help them be more successful, continuously look for ways to improve our tools and our processes, deliver on projects, and find new solutions to the administrative operating issues that our clients are facing. From an external perspective, it is a tough market. If I look out the next two to four years, we talk about the increased government regulations; the low interest rate environment is certainly putting pressure on the investment returns of our carrier partners. The economy is hurting and it puts further pressure on their ability to sell insurance and grow their businesses. Our clients are continuously looking for solutions that help them, unique features of a product, complex features of a product, being able to launch a new product at a lower cost to capture what market share might be out there, and reducing their cost whether it be on administering closed blocks and run-off business. Or they are just looking for new technologies

that may make them more efficient or provide them an edge. I think that is where Andesa can help. For us it is continuing doing what we have been doing - pay attention to our clients and partner with them to find solutions that they need.

**CEO CFO:** Do you work mostly in the U.S., or are many of the carriers you work with international as well?

**Mr. Scheese:** Our staff is 100% U.S. based. The bulk of the carriers that we deal with are international organizations but we deal with predominantly U.S. products. We deal with select offshore insurance products, we have had discussions about international products as well, but the majority of the policies and assets on our systems are U.S. based.

**CEO CFO:** How is business these days?

**Mr. Scheese:** Business is good. I feel good about the company from an overall financial position, a client satisfaction position and an employee satisfaction position. Those are our three key benchmarks.

**CEO CFO:** Why should investors and people in the business community pay attention to Andesa today?

**Mr. Scheese:** From the investor perspective, we are a privately held company so we have few investors and some employee shareholders. We are currently not seeking capital and additional investors. What makes us unique is that we are a strong company with a strong balance sheet and we are debt-free. We have a long history of providing a healthy return. What is interesting about Andesa is after being a pioneer in this business, we are leveraging that experience to where the industry is trending in terms of cloud technology that outsources to a software-as-a-service solution. We are positioning the company for doing more in the insurance industry. The industry is growing and we are looking to grow our market share and to work with both incumbent and new clients to help solve their ever-changing administration challenges.



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