

# Policy Administration Systems

## Delivering Operational Excellence to Support Growth

**Inflexible policy administration systems can stunt the growth of even the most aggressive insurers. Capgemini's proven Policy Administration Framework (PAF) approach guides clients through the complex decision process and delivers dramatic improvements.**

Over 60 percent of insurance providers find their policy administration systems out of date, expensive to run, inflexible and redundant. Market dynamics are forcing insurers to plot a course to replace these antiquated systems in whole or in part, resulting in large scale transformation efforts in the drive for flexible systems, enhanced business capabilities, and profitable growth. The cost and effort are worthwhile; upgrading or replacing these systems

can improve operating efficiencies, reduce the expense ratio by as much as three points, and provide the flexible business capabilities to compete in an increasingly competitive marketplace. The key is implementing the business capabilities to facilitate competing in the marketplace on your terms: speed to market with products; increased customer/producer services across all channels; or efficient processing in support of ease of doing business.



The decision is not easy. Insurers have a few options:

- **Packaged software replacement**, which may require some trade-offs if the package does not support all of the lines of business out of the box, but can be implemented rapidly for core lines of business.
- **Custom replacement** could provide a higher degree of flexibility, but has significant project delivery risks and ties the insurer into a total support role going forward.
- **Legacy modernization** lowers costs and risks but is feasible only for certain platforms and architectures.

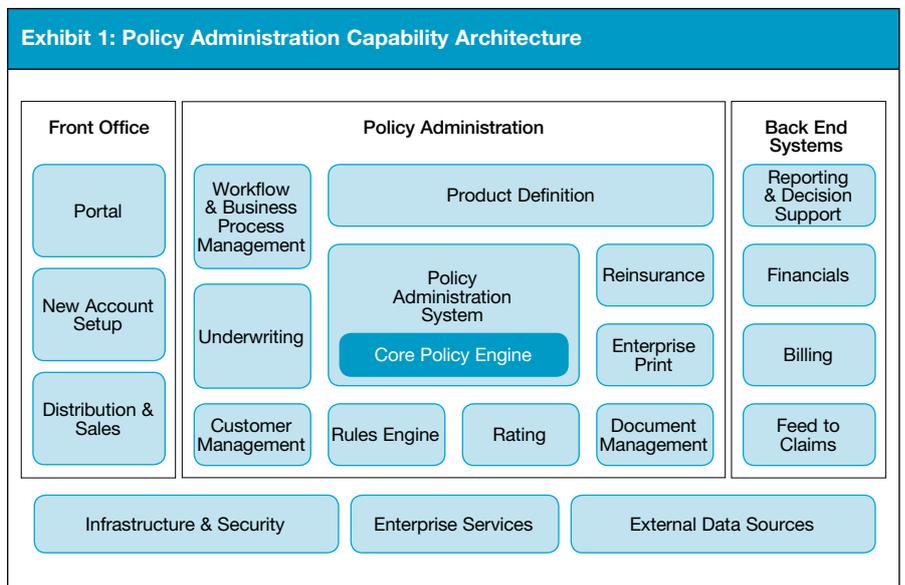
Each insurer must balance flexibility, extensibility of existing systems, budget, schedule, and resource availability according to your own situation. Capgemini believes the best way for insurers to determine the correct approach forward is to look at the required capabilities which will yield successful business value. Capgemini's Policy Administration Capability Architecture (Exhibit 1) combines business capabilities and policy components to help identify how best to drive business value as consideration is underway to address limitations with legacy policy systems.

### Top Insurers Turn to Capgemini's Framework

To guide insurers through this difficult choice, Capgemini has created a proven Policy Administration Framework (PAF). Our approach, tested in real-world engagements with leading insurance companies, enables risk reduction and accelerates the process. Companies can leverage Capgemini's experience in mapping capability to business value, and identifying the key levers that drive business value. The PAF consists of six key components (see Exhibit 2) that bring significant value by:

- Bridging gaps between business requirements and technical implementation
- Leveraging "fit for purpose" packaged software and re-usable assets
- Reducing requirements, design and development time by 25 percent
- Lowering application development and implementation risk

**Exhibit 1: Policy Administration Capability Architecture**



### Capgemini's Policy Administration Framework Accelerates Flexible Delivery

Capgemini's proven experience working with all kinds of clients and implementation styles—from the highly structured to the very agile—means we have roadmaps to lead insurers through a variety of project types: complex development program package implementation, or component selection and implementation. By leveraging Capgemini's methods, tools and accelerators, we can help our companies move fast and achieve immediate benefits. We understand that many insurers will ultimately require a full policy administration replacement. However, some insurers may benefit from approaching this goal through a capability-driven roadmap that could yield significant value, yet realize benefits earlier in the process.

### Policy Administration Framework Components

Future state **Business Process Models** identify the key areas for automation. They illustrate the business process inputs, steps/activities, and outputs to provide clients with a holistic view of their business model.

**Business Transactions** break down event-driven transactions into tasks. Capgemini has developed over 350 business transactions across 20 business transaction groups for clients to draw upon. Capability drivers associate desired capabilities with the insurance value chain and the system components that can deliver those capabilities.

Pre-defined **Use Cases** specify the data, edit rules, and main/alternative flows required for each transaction. Capgemini has developed over 200 use cases for policy administration that can jump start systems design.

Capgemini's **Integrated Architecture Framework** (IAF) enables IT and business to communicate effectively through a common business service architecture. Using our repository of functional services and common data and processes, joint teams can outline the key application design requirements and align solutions with the insurer's strategy and operations.

In addition to providing custom developed solutions to insurance companies, Capgemini also provides **Configuration Support** for 'best of breed' package solutions. The combination of PAF's functional depth with Capgemini certified resources helps insurance carriers dramatically improve their time to market.

Capgemini has a proprietary methodology and relationships with specialized partners to mine **Business Rules** from legacy systems. Successful rules extraction is a key element in many policy replacement efforts, regardless of the development approach.

**Exhibit 2: Six Components of Capgemini's Policy Administration Framework**



## In Practice

### Leading global insurer integrates auto and home policy administrations systems, lowering operating costs by 60%

A leading global insurer needed to revamp its policy administration system to lower costs and provide a more intuitive, flexible environment. The joint Capgemini-client team focused on application architecture, data conversion, development of legacy interfaces and new web-based technologies. As a result, our client integrated auto and home systems with those of other lines while improving customer service.

In addition, our client:

- Reduced operating costs by approximately 60 percent
- Improved time to market for new products by over 50 percent
- Lowered systems development costs by moving over 80 percent of business rules to functional business tables
- Significantly decreased systems maintenance costs

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#### About Capgemini and the Collaborative Business Experience

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Capgemini provides its clients with insights and capabilities that boost their freedom to achieve superior results through a unique way of working, the Collaborative Business Experience™.

The Group relies on its global delivery model called Rightshore®, which aims to get the right balance of the best talent from multiple locations, working as one team to create and deliver the optimum solution for clients.

Present in 40 countries, Capgemini reported 2010 global revenues of EUR 8.7 billion and employs around 112,000 people worldwide.

Capgemini's Global Financial Services Business Unit brings deep industry experience, innovative service offerings and next generation global delivery to serve the financial services industry.

With a network of 18,000 professionals serving over 900 clients worldwide, Capgemini collaborates with leading banks, insurers and capital market companies to deliver business and IT solutions and thought leadership which create tangible value.

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