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## **Insurers Identify Transforming Policy Administration as their Newest Priority Reveals 2012 World Insurance Report from Capgemini and Efma**

*Report Finds the Key Drivers for Policy Administration Transformation are Cost Reduction and Greater Efficiency*

**India, February 28, 2012 – Having experienced a decline in profitability as a result of the global financial crisis, insurance companies worldwide are refocusing their internal operations, with attention on reducing costs and improving the efficiency of their business processes through transforming policy administration, according to the Capgemini and Efma 2012 World Insurance Report released today.**

The 2012 World Insurance Report explores ways insurers can dissect their business to identify opportunities that will make fundamental and lasting improvements to their core operations. It draws on research insights from 19 markets including: Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Hong Kong, India, Italy, the Netherlands, Philippines, Singapore, Spain, Switzerland, the United Kingdom, the United States and Vietnam. Based on a comprehensive body of research, the report features an exclusive Business Agility<sup>1</sup> and Policy Administration Transformation Survey conducted via in-depth interviews with 71 insurance executives.

The report draws three clear conclusions:

- 1) Managing costs and efficiencies are critical levers of Insurers' performance**
- 2) Insurers indicate policy administration as their next priority**
- 3) Making investments in several policy administration sub-functions is important for insurers to achieve business agility in the years ahead**

**Costs and Efficiencies Are the Critical Levers of Performance Today:** Although premium volumes are rising in some markets, few insurers are in a competitive position to raise rates. Additionally, many insurers face the difficult task of growing the top line as customers increasingly focus on price and the industry's commoditization.

Insurers, especially in non-life (i.e. Property & Casualty), need to achieve sustained performance in the coming years and emphasize key components of underwriting performance. They also need to consider ways to minimize claims, acquisition and other operational costs while growing their business. Core operational functions, such as policy administration, offer one of the few remaining areas in which transformation can deliver both cost savings and customer benefits.

**Policy Administration Is the Next Priority to Achieve Cost and Operational Efficiency:** Globally, many leading insurers acknowledge they cannot continue to rely on aging and inflexible policy administration systems, which lock them into legacy business practices and inhibit their ability to compete in a customer-centric market.

Policy administration transformation was identified as a priority in the next two years by a vast majority of European (93 percent) and North American insurers (67 percent). However, in the APAC region only 36 percent of respondents indicated it was a key priority, as insurance markets recently opened to private players only in the last decade, allowing many entrants to immediately deploy modern policy administration (PA) systems.

*“Policy administration transformation is fundamentally critical for insurers who are up against today’s challenging economic backdrop and new competitive environment where the right opportunities for improving margin and top-line growth are hard to find”* said **Jean Lassignardie, vice president, sales and marketing for Capgemini’s Financial Services Global Business Unit.** *“In such conditions, we see insurers modernizing legacy policy systems to achieve streamlined operations with much needed reductions in operational costs. This same path is serving to capture efficiencies that ultimately lead to improved time-to-market, increased customer satisfaction and better servicing of policies.”*

According to the report, 69 percent of surveyed insurers said the ability to optimize operational efficiency was extremely important in driving decisions to transform Policy Administration systems, and 66 percent said lowering the total cost of ownership (TCO) was essential. By transforming their policy administration systems, insurers can deliver much needed reductions in operational costs by reducing TCO by up to 40 percent and cost per policy by up to 30 percent. Insurers can also improve performance by reducing business and technological process inefficiency by up to 30 percent. By transforming these systems, insurers can better manage current market challenges including regulatory-compliance issues, customers and intermediary satisfaction, aging and inflexible systems, and protracted product launches (by increasing the speed to market by up to 60 percent).

**Survey Shows Investment in Several Policy Administration Sub-Functions Is Paying Dividends:** Capgemini’s Business Agility Model<sup>2</sup> shows that the insurance industry has, on average, progressed furthest in achieving agility

in certain core policy administration back-office levers, including confirmation of coverage and policy issuance, policy/contract maintenance, billing and premium invoicing, and premium reminders/renewals.

*“Business agility is the critical focus for insurers moving forward as they face evolving social, regulatory, and technological trends,”* said Patrick Desmarès, Secretary General, Efma.

The report reveals that the emerging areas of focus within Policy Administration for the near-to-medium term include higher agility levels in underwriting and risk analysis to decrease the chance of adverse risk selection. Also noted are the higher levels of agility in rate and quote to enhance the ability of insurers to offer online rate modification capabilities to their traditional as well as non-traditional channels.

For more information about the 2012 World Insurance Report, please visit [www.capgemini.com/wir12](http://www.capgemini.com/wir12)

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<sup>1</sup> Business agility is the ability to identify, anticipate and respond to specific changes in operating conditions that directly impact an insurer's ability to achieve sustained performance.

<sup>2</sup> Capgemini's proprietary Business Agility Maturity Model gauges the degree to which insurers are agile (their "maturity" in terms of agility) in certain elements of the value chain.