

# Differentiating For Competitive Advantage in the Business of Risk

Capgemini's Core Policy Processing Services



People matter, results count.

While property and casualty insurance is by definition the business of risk, in recent years the industry has faced unprecedented market issues. Between stiffer competition, rising costs, reduced investment income, fleeting customer loyalty, and slowing premium growth, insurers are challenged to protect profitability and grow premiums. In this environment, insurers need to respond quickly to changing business conditions to achieve a competitive edge.

Strong policy processing capabilities can bring Insurers this advantage. In fact robust policy processing can provide a stable and reliable operating

platform from which insurers can build business agility, and create market-leading business capabilities—the fundamental pre-requisites for brand differentiation in today's marketplace.

Of course, the wide range of technology platforms that comprise a property and casualty insurer's core policy processing systems play a central role in enabling such differentiation. These technologies support the business capabilities that differentiate leading insurers: Customer service, product management, underwriting, billing, and other critical areas. Yet the complexity and age of these systems can make creating agility and responsiveness a challenge. In addition, the technological environment of many insurers is comprised of multiple core systems, dedicated to different functions, regions and lines

of businesses. There are a host of distinct technologies, often supporting cross-functional processes, which complicates matters.

However, a vanguard of leading insurers is tackling such issues by overhauling their core policy processing systems to establish the market-leading capabilities that their businesses demand.

Capgemini believes the best way to address the policy processing technology challenge is to take a business-driven approach to core policy transformation that ensures business outcomes are achieved and targeted benefits are realized. Such an approach significantly reduces risk, increases capabilities per dollar of IT spending and, importantly, enables the insurer to optimize the operating cost. We've found that this approach can also be implemented through individual components and in an incremental manner to help mitigate risks.



# A Business Driven Capability Based Approach

Irrespective of the scale or complexity of the transformation, the policy processing domain can be broken into several constituent functions, including underwriting, rating, issuance, billing and more. These functions, in turn, are linked to respective capabilities—for instance, providing self-service in support of policy servicing—which are supported by individual and common technology components.

How does such a perspective make overhauling core policy processing systems more feasible? By aligning information technology with business capabilities throughout a policy processing transformation, companies can ensure they are building systems that will deliver specific, concrete business value at three levels: Leveraging commercially available capabilities for industrialization,

architecting the policy processing solution in a way that drives operational agility, and enabling the business with capabilities to support its brand differentiation. Furthermore, because this approach embraces incremental benefits, it allows insurers to align investments against the realization of additional business capabilities and optimize total cost of operations.

**Exhibit 1: Core Policy Processing Capability Map**

**Insurers aspire to have market leading capabilities that....**

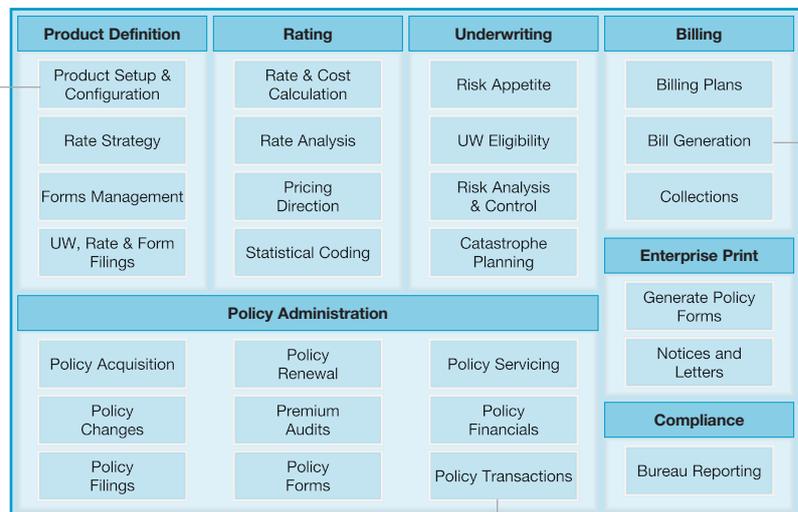
- Shorten time to market with product enhancements and rate revisions
- Improve combined ratio through data-driven product and underwriting decisions
- Reduce expense ratios and greater operational efficiencies
- Positively impact customer service and acquisition cost
- Increase business capabilities per dollar of IT spending

**Rate revision cycle time = state regulation + 1 day**

- Easy to use product authoring tools
- Configurable product variables
- Leverage, share or inherit product attributes across writing companies, products and books of business
- Disciplined product setup, testing and implementation methods

**Generate bill/statement of account in real-time**

- Support electronic bill distribution and payment
- Credit card payment options for all bill plans
- Support household billing - multiple policies on a single bill



**All Products, all jurisdictions, support for real-time Policy Transactions:**

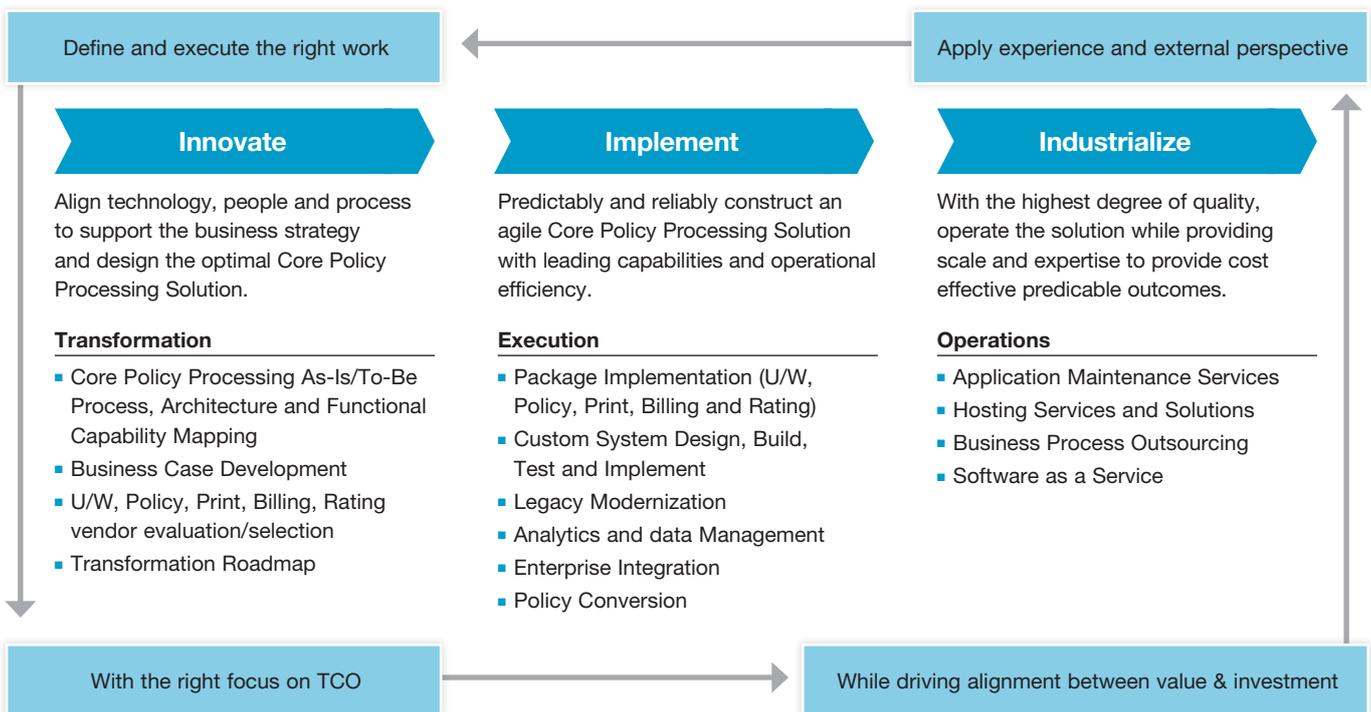
- Policy Issuance
- Endorsements, including out-of-sequence
- Renewal Processing (and non-renewal)
- Policy Rewrite or reissue
- Cancellations, reinstatements and recession

# Capgemini Core Policy Processing Services

Capgemini provides consulting and technology implementation services that help leading insurers achieve this kind of balance within their own enterprises, and implement or build best-fit components for each capability within policy processing. Our services are optimized for the complex ecosystems in which many core policy processing capabilities reside, and are tailored to the varying goals and challenges of major property and casualty insurers. Through this optimization we help Insurers create differentiation from policy processing of all sizes, scale and complexity, and we significantly lower risk throughout the transformation journey.

Our professionals are experienced in leading strategy formulation, helping clients build a business case for core policy transformation, crafting detailed implementation roadmaps and selecting solutions and vendors. Capgemini also can help build new core platforms, whether that involves implementing off-the-shelf packages, modernizing legacy systems, or developing customized solutions. From gathering requirements to design, build and test, Capgemini offers a full range of development capabilities, and can tap into a global network of delivery resources, as well as seasoned project managers on the ground at client locations. Our teams keep core policy processing systems running at full speed as well, with proven skills in application maintenance, business process outsourcing and software as a service.

Exhibit 2: Capgemini's Core Policy Processing Solution



Leading insurers leverage these Capgemini services across the full range of core policy processing capabilities, from quoting through underwriting, billing, and policy administration. Capgemini has deep expertise in building the connections between core policy processing capabilities and insurers' other key platforms, including portals, agency systems, claims, business process management and workflow, business intelligence management and analytics, and customer account setup. Furthermore, because Capgemini brings experience across a number of core policy processing solutions, we are well positioned to help insurers to use the best available solutions from the wide range of leading technology providers with which we have strong alliances.

Our One Team approach to execution enhances effective collaboration between various project teams, aligns business and IT goals and adopts a unified approach to delivering distributed components. Thus, our partnership model with the clients helps ensure sustainable business benefits and long-term success.

**Reducing risk and speeding results**

Capgemini reduces its insurance clients' risk and accelerates results with its robust portfolio of proprietary tools and assets. These include:

- **Strategy and Functional Design templates** (i.e. business cases, roadmap, implementation plans) that facilitate and speed decision-making and implementation planning

- **Insurance Capability model and Reference Architecture**
- **Strong and Robust Policy Administration Framework**, encompassing rich repository of business process models, business transactions and use cases, integrated architecture framework, business rule modeling and configuration support, along with a Service Oriented Architecture to reduce risk and increase reusability.

Together these assets can accelerate implementation of new or enhanced core processing systems while ensuring all business requirements are fully addressed and reducing the risk of implementation. In fact, Capgemini's core policy processing tools reduce requirements definition, design and development time of new innovations by 25 percent to 40 percent.

**Exhibit 3: Core Policy Processing Framework – Reducing the Risk of the Journey**

**What is the Policy Administration Framework?**

- Core Policy Processing As-Is/To-Be Process, Architecture and Functional Capability Mapping
- Business Case Development
- U/W, Policy, Print, Billing, Rating vendor evaluation/selection
- Transformation Roadmap

**What Does it Contain?**

**High-level process templates and process decompositions:**

- 350+ business transactions that represent discrete business events
- 200+ use cases that detail task level insurance activity
- Logical data model for custom solutions
- Proprietary methodology and relationships to mine business rules from legacy systems
- Configuration support for packaged solutions from software partners



**What Does it Do?**

- Reduces risk
- Provides flexibility
- Provides re-usable core deliverables
- Uses a service oriented architecture with re-usable components
- Bridges the gaps between business requirements and technical implementation
- Reduces requirements, design and development time by 25-40%

**Capgemini's Policy Administration Framework has six components related by a common approach.**

However, there is much more to Capgemini's approach to core policy processing transformation than fast, low-risk implementations.

- Through increased efficiencies, for example, in operations and the customer contact center, insurers can **reduce expense ratios and obtain operating expense reductions** of up to 35 percent.
- With our help, insurers can **shorten time to market with product enhancements and rate revisions**. In certain cases, we have seen rate changes shorten from months to weeks and weeks to days, often improving responsiveness by 50 to 60 percent.
- Insurers realize **increased capabilities per dollar of IT spending** from two perspectives: Shifting more spending from running the business to innovation, and ensuring that each dollar spent yields more capabilities
- Insurers can improve their combined ratios through data-driven **product and underwriting decisions**, often shaving several points off their loss ratio.

Furthermore, by transforming core policy processing to be more customer-centric (versus policy-centric), adding additional capabilities, enabling greater agent and customer self-service and improving related processes, insurers can service customers and producers more quickly and in a more differentiated way that increases retention and reduces acquisition expenses.

When insurers lead the way with compelling new capabilities, success follows. In fact, by working with Capgemini to improve the way it calculated rating variables, surcharges and discounts, one top property and casualty insurer increased revenue significantly each year via better renewal rates and customer retention. Another client improved profitability by cutting maintenance costs by 75 percent through upgraded underwriting, customer care and marketing systems. Our core policy processing services helped yet another insurer launch a next-generation policy quote and processing system in three years versus five, while a Fortune 10 auto insurer partnered with us to develop and deploy a new Web-based application across 34 states in less than 10 months.

In short, Capgemini helps top insurers maintain and increase their competitive advantage through stronger core policy processing capabilities, thus gaining substantial and sustainable benefits.



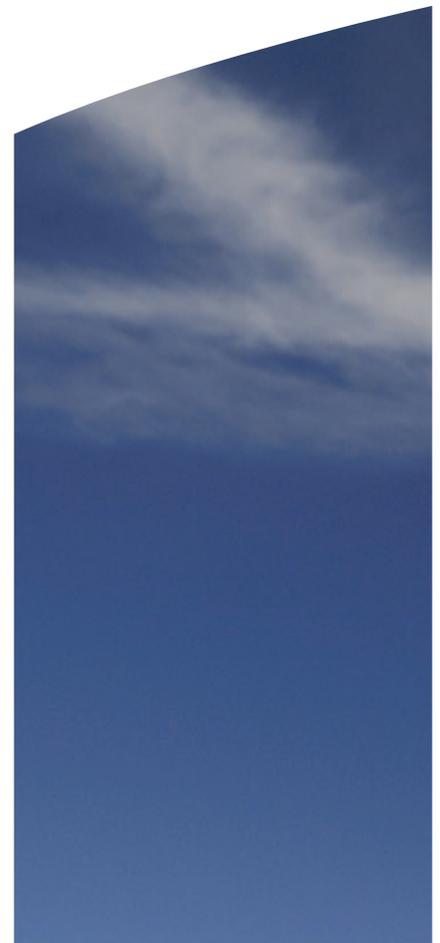
# Why Capgemini?

Ultimately, experience breeds success, and in this respect Capgemini is a recognized leader. Capgemini serves 12 of the 15 largest global insurers and has supported dozens of projects across claims, policy and billing. These projects include one of the largest policy administration transformations in North America, which Capgemini is delivering to a highly innovative insurer in the market. Capgemini has more than 5000 professionals focused on the insurance industry and our Insurance leaders have an average of 15 to 20 years of Property and Casualty industry experience.

Capgemini's unmatched insurance systems integration experience across policy and claims administration is complemented by our valuable alliances with leading technology vendors such as Guidewire®, FirstBest Systems, Pegasystems, SAP BusinessObjects, OneShield®, Oracle, HP, Thunderhead® and Agencyport.

In recognition of these strong relationships, we won both the Pega Partner Excellence Award for Customer Centricity and the Guidewire Partner of the Year Award in 2011. These relationships allow Capgemini to direct our clients toward the best solutions for their specific goals and challenges, while our familiarity with multiple platforms and breadth of tools and accelerators enable us to quickly and easily configure and customize solutions to meet specific client needs. In concert, Capgemini's deep experience, business-led approach and strong alliances provide leading insurers with "one-stop shopping," from strategy through implementation, business adoption and ongoing maintenance.

**In 2011, Capgemini won the "Pega Partner Excellence Award for Customer Centricity" and the "Guidewire Partner of the Year" Award in recognition of our leading insurance solutions.**



### The right time to upgrade core policy processing systems

Strong policy processing capabilities can help insurers respond quickly to changing business conditions and create a foundation for competitive advantage. Traditionally, the journey to transform policy processing has been daunting.

Capgemini now makes it achievable with the right focus and targeted outcomes that deliver a stable and reliable platform that turns the monolithic drudgery of policy administration into industrialized, componentized, and differentiated business led core policy processing capabilities.

Capgemini's deep experience, proven methodologies and tools, and in-depth knowledge of core policy processing technologies, can help insurers gain the advantages of updated systems while minimizing risk and cost. By bringing expertise in managing the journey across all levels of size, scale and complexity, Capgemini helps leading insurers stay ahead of the pack and continue to thrive in a challenging environment.

Learn more, visit us at [www.capgemini.com/policyprocessing](http://www.capgemini.com/policyprocessing) or contact us at [insurance@capgemini.com](mailto:insurance@capgemini.com).



### About Capgemini and the Collaborative Business Experience

Capgemini, one of the world's foremost providers of consulting, technology and outsourcing services, enables its clients to transform and perform through technologies.

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 2011 global revenues of EUR 9.7 billion and employs around 120,000 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 21,000 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.

For more information please visit [www.capgemini.com/financialservices](http://www.capgemini.com/financialservices)

