Policy Administration Transformation

Helping insurers capture dramatic improvements in time-to-market, product or price leadership and operational excellence

The insurance industry is under tremendous pressure in this post-recession global economy. Evolving customer demands and behaviors, a declining market for investment products, consolidation, and regulatory change are forcing companies to rethink operations from product development and underwriting to policy administration and claims management.

Insurers must comply with increasingly tough corporate governance standards and be able to react quickly and efficiently to new regulations. To achieve growth, insurers are adopting new pricing models and venturing into new, potentially profitable, but unknown markets. Enhancing distribution reach, leveraging new channels, and quickly launching new products and services all depend on agile and effective policy administration processes and technologies.

Carriers are still enduring significant cost maintaining legacy policy administration systems. Many have three or more policy administration systems serving different lines of business or meeting various business needs.

Carriers battle rising technology costs, aging legacy systems, and long cycle times, while trying to support operations with more flexible and agile IT infrastructure and policy administration capabilities to compete in today's environment.

In this highly competitive market, a significant opportunity exists for carriers to create sustainable competitive advantage.

People matter, results count.

The Right Time to Gain Competitive Advantage with Policy Administration Transformation

Policy administration transformation enables companies to combat market pressures, drive greater value, and realize strategic advantage. Carriers can achieve:

- *Product Leadership* by accelerating time-to-market for new products and rapidly respond to changing market and business conditions

- *Operational Leadership* by streamlining business processes, reducing conversion and project risk and outsourcing closed book operations

- *Cost Leadership* by reducing cost per policy and total cost of ownership through legacy platform consolidation and reduced complexity

Through policy administration transformation companies can reduce IT and operations cost by creating consistent processes and eliminating redundancies in resource utilization and system support requirements. Legacy systems consolidation improves customer satisfaction through better turnaround times for policy servicing, distribution operations and claims processing. And, from a technology perspective, policy administration transformation leads to a more standardized IT architecture and a robust, reliable and scalable technology platform.

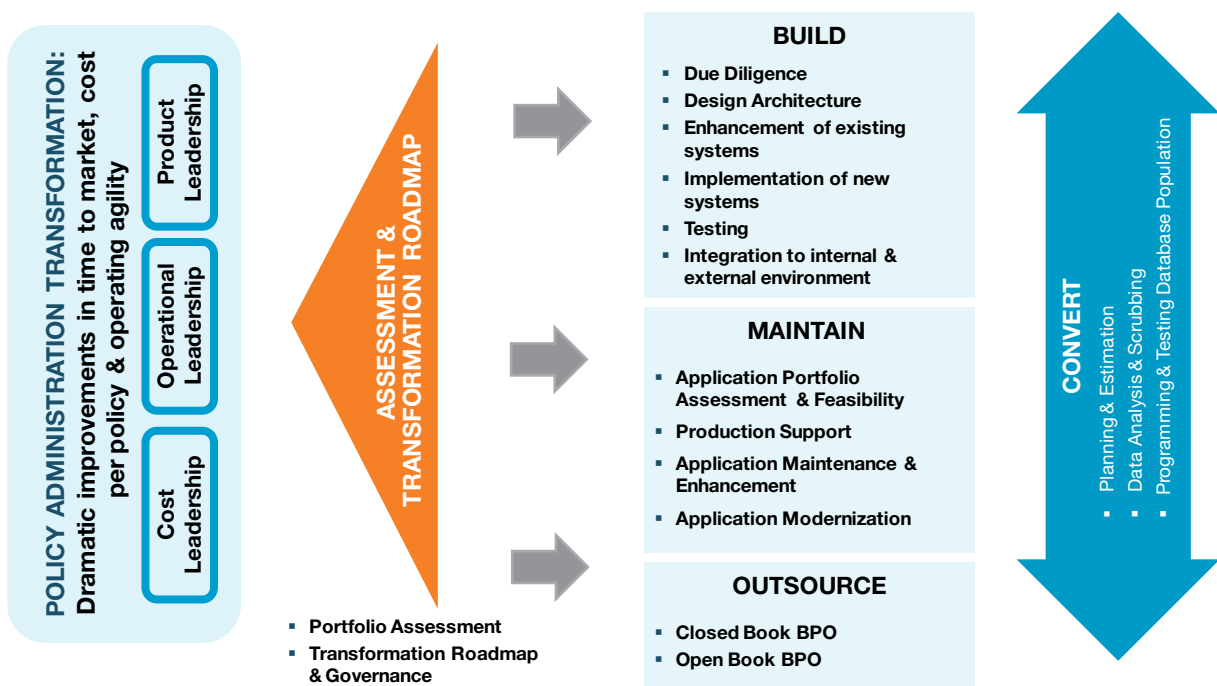## Capgemini Policy Administration Solution

A true business transformation can be achieved by a modern and flexible policy administration platform. Such a transformation impacts business processes and people from policy acquisition to reporting. Capgemini has developed a unique and proprietary approach to reduce risk and provide commercial certainty for your future state. Our services include support for your full transformation from planning and design through conversion and change management. Our solution encompasses transformation strategy and governance, architecture design, system enhancement or replacement, conversion, Application Management Services (AMS), and open and closed book outsourcing. It consists of five components (see Figure 1):

- *Assessment and Transformation Roadmap:* Capgemini provides transformation strategy beginning

with evaluation services to assess the alternatives of enhancing or upgrading existing policy systems versus system replacement or sun-setting.

- *Build:* We can provide design architecture, transformation governance, package development, and testing and integration services. By employing appropriate methodologies, assets and accelerators, Capgemini ensures a smooth transition to the proposed system.

- *Convert:* Capgemini's proven track record and extensive software package knowledge bring a holistic approach to analyzing, understanding, scrubbing and converting all required data. Capgemini is able to achieve faster, higher quality and cost effective conversion by employing appropriate methodologies, assets and accelerators. Our comprehensive set of software tools (built for insurance-centric projects) provides a roadmap for successful data conversion projects.

- *Maintain:* Capgemini provides end-to-end AMS through flexible engagement models, managed by service level agreements and supported by industrialized assets. The application management services include application development, help desk, production support, application maintenance, enhancement and modernization-- ensuring hassle free functioning of the business.

- *Outsource:* Our policy administration solution not only provides outsourcing of closed book operations but also outsourcing of open books maintained by insurers to actively meet customer demands. Our offerings are driven by the next generation outsourcing model, combining the power of global delivery with the domain expertise of a world-class consulting firm.

Figure 1: Capgemini's comprehensive solution covers the full spectrum of policy administration transformation

A Closer Look at Solution Components

Assessment and Transformation Roadmap

Policy administration transformation can be a driver for differentiation and competitive advantage. However, it is a business transformation impacting people, processes, technology and insurance product. As business models shift and evolve, there needs to be strong alignment between the business and its technology.

Therefore, in addition to a review of software features, it's important to evaluate the needs supported by your policy administration systems from a business—not technology— perspective. Integral to Capgemini's transformation roadmap is an assessment of the business value of the legacy assets as well as their technical health.

Like financial assets the legacy systems have different characteristics, levels of performance, risks and costs, and expected duration of usability. In order to make the right decisions about the legacy systems, insurers need a method to identify, understand, evaluate and compare the assets in the portfolio. Capgemini can perform a due diligence, using its structured methodology and set of tools for analyzing and assessing the legacy systems in order to prescribe alternate options which are viable, non technical in nature, have lower implementation risk and better business case.

Building on its business and technical assessment and insights, Capgemini takes a systematic approach to providing a recommended course of action and robust roadmap (see Figure 2).
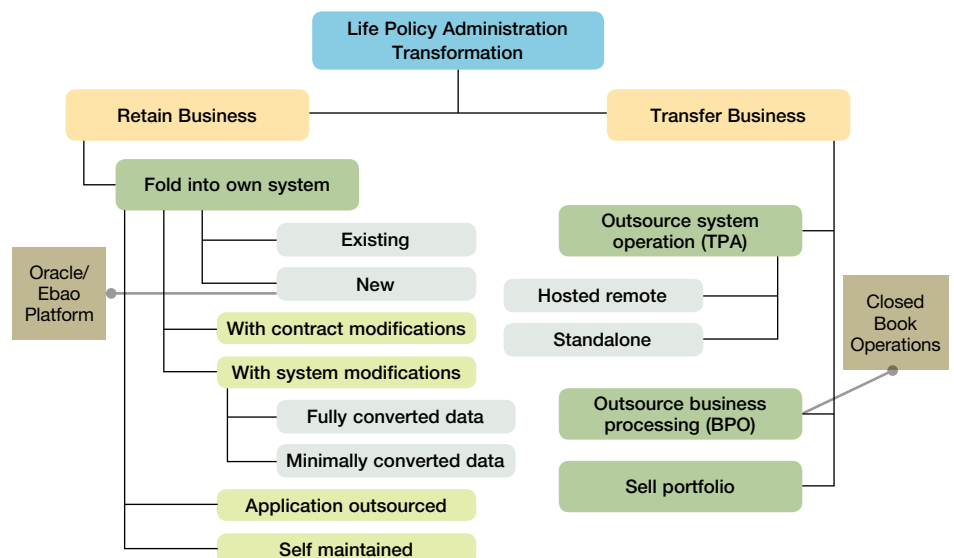
Build

Often the recommended course of policy transformation action involves system enhancement, upgrade, replacement or sun-setting. Capgemini can implement and configure a new or enhanced platform and its components from start to finish:

- *Project Management Office* services including reporting, governance and management with PMI certified specialists using our proven frameworks and tools.
- *Testing* services including functional testing, automation or test management performed by test professionals who specialize in insurance systems. Capgemini has over 2,000 testers devoted to financial services.
- *Process Improvement* services including business process management and assessment from domain specialists in insurance.
- *Business Analysis* services including experienced business analysts who have worked on multiple policy administration implementations using Capgemini's proprietary reference model.

Capgemini's policy administration framework has been developed with strong domain expertise and encompasses specific tools and accelerators that reduce risk, provide flexibility and bridge the gap between business requirements and technical implementation. Our tools reduce requirements, design and development time by 25 to 40 percent. Our integration framework contains templates for capturing interface structure and specifications, enables developers to generate code in multiple languages based on template data and supports robust testing efforts through reusable and auto-generated test cases. Through these integration tools Capgemini is able to automate and expedite the analysis and integration of system interfaces by at least 60 percent while supporting batch and real-time interfaces.

Figure 2: Based on robust analysis, Capgemini recommends the best course of action

Convert

Embarking on large data migration projects makes organizations apprehensive. The sheer magnitude of data or applications to be migrated can pose risks of insufficient planning, inadequate attention to data structures and relationships, and time and budget overruns. More than 80 percent of data migration projects overrun planned time and/or budget. Cost overruns average 30 percent and time overruns average 41 percent. Typically this is caused by an underestimation of data migration complexity.

Capgemini achieves faster, higher quality and cost effective conversion by employing its proprietary methodologies, assets and accelerators (see Figure 3). Three primary conversion tools include:

- *Plan / Modification Analysis Tools:* Help determine all of the converted products and associated product features that must be supported and identify potential modifications required in the target system.

- *Data Migration Workbench Tools:* Analyze, scrub, map, translate, program and test data that is converted from one system to another. The same group of tools can be used to support the creation and documentation of interfaces between systems.

- *Conversion Verify Tools:* Used to perform hundreds of edits in order to assure data consistencies within the target system database fields. Also compares calculated values between the source and target systems.
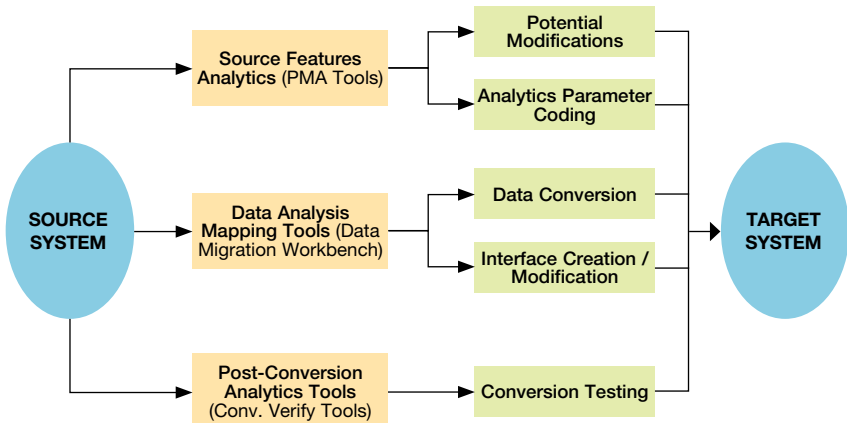
We have a proven track record for managing complex conversion efforts with extensive knowledge in all major software packages. In fact, Capgemini consistently converts over 99 percent of transactions. Our proven conversion tools ensure significant reduction in total cost of policy conversion. We have the ability to calculate per claim or per policy conversion cost for total cost of future operations. Typical targets include:

- 35 percent reduction in first conversion expense
- 50 percent reduction in future conversion expense
- 50 percent reduction in conversion complexity, and governance time and effort

We have used these proven tools and conversion methodology to successfully convert from 50 to many thousands of policies.

Figure 3: Capgemini's Rightshore® Conversion Factory provides industrialized processes and specific data analysis and migration tools to improve the speed, accuracy and cost of conversion
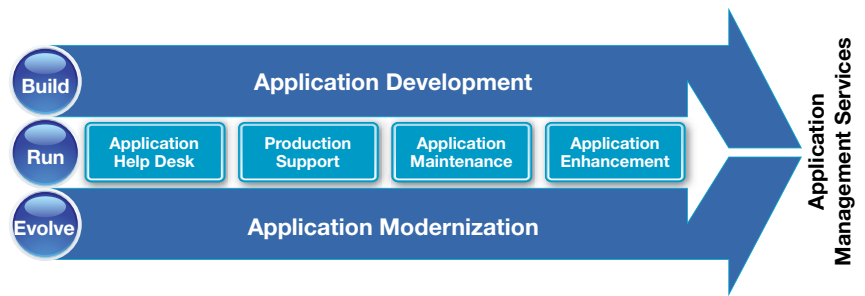
Maintain

Capgemini offers 30 years of experience providing AMS through flexible engagement models, managed by service level agreements and supported by industrialized assets. We provide end-to-end capabilities to own and evolve applications. Typical services include: application portfolio assessment, application development, level one user support, level two production support, level three maintenance and enhancement, application environment support, application monitoring, database support, application platform support, application modernization, migration and re-engineering (see Figure 4). Typical benefits include:

- Reduction in total cost of application ownership by as much as 40 percent
- More than 95 percent on-time and within budget delivery of your business demands
- Improved productivity of up to 30 percent
- Process quality driven by a CMMI certified organization
- Service level-driven engagements achieving more than 90 percent of critical service-level agreements
- Seamless transition driven by industrialized process, methodology and tools

While providing an end-to-end solution, Capgemini's AMS model also provides the flexibility to address specific components effectively.

Figure 4: Capgemini's services provide a strong tangible ROI while fully addressing application management challenges

Many of our existing engagements involve all or part of "RUN" services while looking for opportunities for modernization and consolidations. While providing such partial services, we have defined and implemented robust service delivery features to collaborate with other responsible stakeholders like development, testing and business analysis teams.
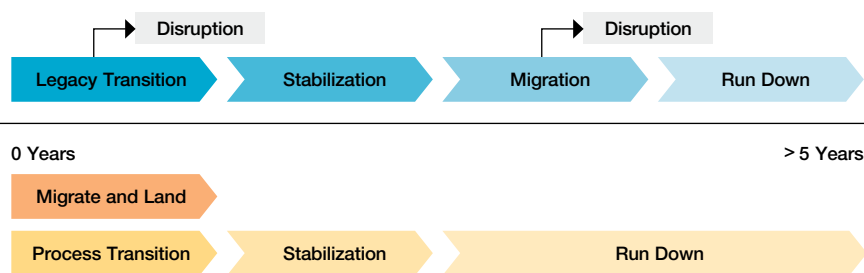
Outsource

Our open and closed-book policy administration outsourcing enables management teams to outsource non-core policy administration functions and free resources to focus on core business needs. Through Capgemini's Business Process Outsourcing (BPO) services companies can reduce operational costs, avoid future capital expenditures, and increase quality, compliance and flexibility. We are a proven BPO provider with a multilingual task force fluent in more than 28 languages.

The outsourcing of closed book operations can unlock a unique set of benefits. In earlier outsourcing contracts, success was measured simply by cost reduction goals governed by SLAs. But today, offsetting the financial burden is no longer enough. Insurers are looking for ways to extract additional value from their closed book operations by integrating them with an overall client management strategy. Success is driven by cost, customer satisfaction, delivery of services and cross-sell/up-sell opportunities.

This multi-faceted approach to outsourcing requires an equally agile solution. Based on our technology and business process optimization experience, Capgemini has devised a solution that takes advantage of an innovative, "Migrate and Land", single-step transition to closed or open books outsourcing (see Figure 5). The approach includes a clear structured roadmap to achieve benefits, is supported by milestones and transparency, and brings the following benefits:

- Migration 'only once' at the start of the process; there is no second migration process involved removing disruptions and uncertainties
- Radical cost savings and process improvements beyond labor arbitrage (people and process management, customer service, IT platform)
- Transaction-based pricing models
- Lower capital requirements

Figure 5: Single-step transition with Capgemini's innovative Migrate and Land Approach

- One time disruption
- Knowledge transfer as the people are still available
- Insurer still involved and committed to transition which enables the migration

Capgemini: A Distinctive Partner in Policy Administration Transformation

Selecting the right partner with the best blend of technology skills, consulting skills, and operational capabilities is an important pre-requisite for Policy Administration Transformation. Capgemini is committed to providing end-to-end services to meet the unique policy administration needs of insurers. For years, we have invested in proprietary methodologies, models and tools to help insurers succeed in their transformation efforts.

Ability to provide business-driven transformation that's cost effective

Capgemini offers a clear approach to helping insurers achieve product, price and operational leadership leveraging policy administration. We offer complete organizational change management and strategic alignment—not just a new platform. We provide a business case analysis that utilizes a proprietary calculation model to determine the cost-per-policy transformation opportunity. And we bring comprehensive BPO strategy for both closed and open books. Our experience with Oracle IPAS implementation has demonstrated up to 38 percent reduction in total cost of ownership through policy administration transformation.

Exclusive methods, tools and solution accelerators drive operational efficiency

We utilize our proven accelerators, methodology and assets to reduce cost and increase predictability for major initiatives. These tools help us to accelerate systems integration interfaces by at least 25 to 30 percent and achieve consistent conversion rates of over 99 percent of transactions. Our Accelerated Solutions Environment methodology reduces design time. Our Service Oriented Architecture-based integrated architecture framework and methodology, and OIPA enterprise service bus reduce long-term operational costs. And, our closed-block strategy and conversion factory (that contains over 4,500 reusable test cases) speed implementation.

Proven, reliable global execution with deep insurance industry experience

Capgemini's commitment to helping insurers with policy administration transformation includes more than 15 years of experience with life insurance policy migrations. For example, Capgemini is a leading Oracle IPAS implementation partner with more than 75 OIPA-trained and certified resources. We serve more than 400 insurance clients across the globe through more than 4,500 dedicated insurance professionals including 800 dedicated specifically to the life insurance segment. Capgemini is also one of the leading service providers in IT outsourcing. Over 36 percent of Capgemini's 2010 revenue came from outsourcing.

To find out more about Capgemini's insurance policy administration transformation services, contact us at **lifeinsurance@capgemini.com** or visit **www.capgemini.com/policy**

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 2010 global revenues of EUR 8.7 billion and employs around 110,000 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 17,000 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**

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