

# fs viewpoint

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## *Eyes on the prize*

Implementing fast, flexible policy  
administration systems in the P&C  
insurance sector



**pwc**

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## *Point of view*



## Executive summary

*Insurance carriers are making an unprecedented investment in modernizing their policy administration systems and processes.*

*The ability to successfully deliver these policy administration transformation programs will differentiate the winners from the losers and alter the competitive landscape.*

*PwC's Policy Administration Delivery Framework can help carriers that are seeking to optimize their investment.*

In our publication, *Fire, Ready, Aim...Don't miss the point of a policy administration transformation*, we discussed the drivers of policy administration system transformation and the need to align operating strategies with the program.<sup>1</sup> In this publication, we transition from strategy to execution and investigate how to operationalize these goals through the use of PwC's Policy Administration Delivery Framework.

We begin by observing that approximately 30% of policy administration projects succeed, 50% are challenged, and 20% fail. And within that successful category, we propose that one in three are truly optimized.

We will explore the reasons why projects struggle, looking at the common causes across implementations regardless of carrier size, geographies, and business model.

Furthermore, we identify recent trends in the marketplace that carriers can capitalize on to increase their chances of success, including:

- Commercially available policy software has matured in functionality.
- Iterative development approaches have shortened and lowered the cost of change.

Finally, we conclude by demonstrating how PwC's Policy Administration Delivery Framework will help make your project successful by focusing on key business capabilities that help carriers to differentiate themselves in the marketplace.

Themes of the framework include:

- **Focus on core delivery capabilities—**

The ability to deliver on time and within budget is driven largely by supplier management, people and change management, integration/architecture, program quality and testing, and program management.

- **Deliver key business capabilities—**

The delivery capabilities are table stakes for a successful program. To realize projected business benefits, certain capabilities need to be delivered, including customer and agent experience, underwriting/rating, data and analytics, forms and documents, and migration.

<sup>1</sup> PwC, "Fire, Ready, Aim...Don't miss the point of a policy administration transformation," August 2011, [www.pwc.com/fsi](http://www.pwc.com/fsi).

**While it will likely be the largest single project investment a carrier ever pursues, the historical track record of implementing new policy administration systems shows that most projects are “challenged,” with only a small percentage optimizing their outcome.**

The goal of a policy administration program is not merely to implement another legacy application, but to deliver transformative capabilities to the business.

Only 30% of policy administration projects meet the traditional definition of success in terms of time, budget, and scope delivered. And of that 30%, we observe that less than one in three realize the full business benefits.

Those carriers that do “optimize” and achieve this rare level of success will be able to leapfrog their competition, which may be in the approximately 70% of projects that are challenged or that outright fail.



**Carriers are making unprecedented levels of investment in policy administration system transformation in order to retain and gain a competitive advantage.**

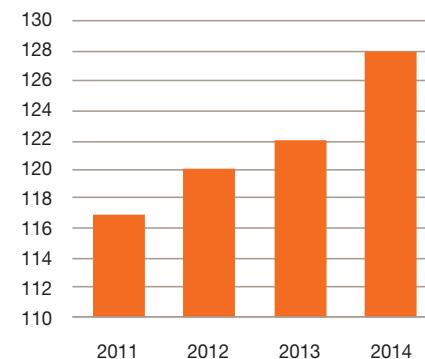
**By 2014, Celent forecasts over 120 new policy administration projects to be started each year in the North American market.<sup>1</sup>**

Of these projects, small- to mid-sized carriers will continue to drive much of this growth, with 75% of programs undertaken by carriers with less than \$500M in written premiums, largely through the implementation of off-the-shelf policy solutions.<sup>1</sup>

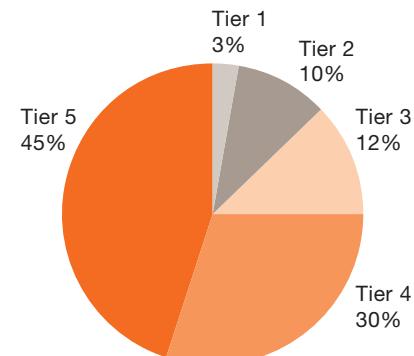
For Tier 1 carriers (\$5B+ Gross Written Premium [GWP]), a bias toward custom development still remains.<sup>1</sup> We believe that carriers of this size will increasingly look to off-the-shelf solutions, as today's mature products can support the scope and scale that these carriers require.

Ultimately, we are seeing an unprecedented level of investment by small- to mid-sized carriers whose successful policy administration implementations will provide them with the ability to leapfrog larger, better-funded competitors through improved product flexibility, speed to market, and lower IT costs.

**Projected new policy starts by year<sup>1</sup>**



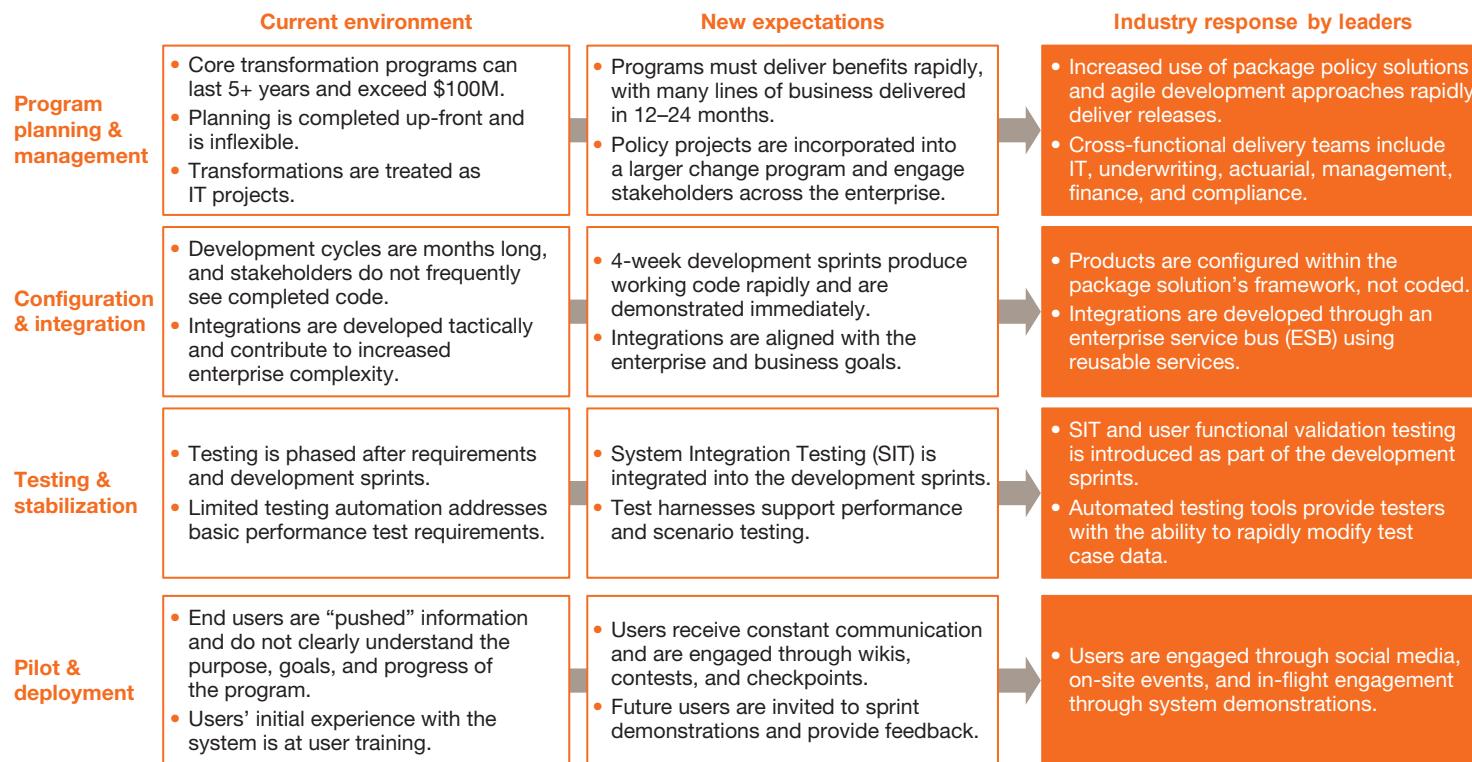
**Deployments by size of carrier<sup>1,2</sup>**



<sup>1</sup> Celent, "Deal Trends in Property/Casualty Policy Administration Solutions," 2011 North American Edition.

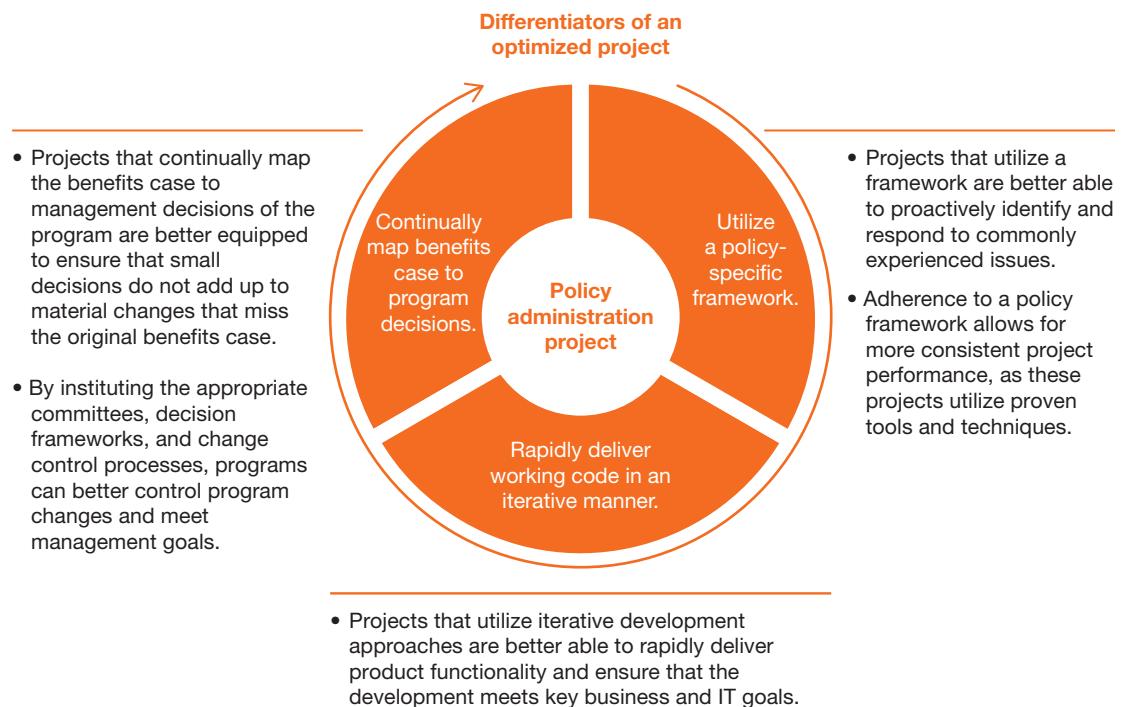
<sup>2</sup> Tier 1—GWP \$5B+; Tier 2—\$1B-\$4.9B; Tier 3—\$500M-\$999M; Tier 4—\$100M-\$499M; Tier 5—<\$100M.

**The legacy development processes that worked in the past are not sustainable. Leading carriers are moving beyond the status quo and applying a faster, more flexible approach to policy administration implementation.**



**Carriers seeking to optimize their policy transformation commonly utilize a policy-specific framework to proactively identify and address common project issues.**

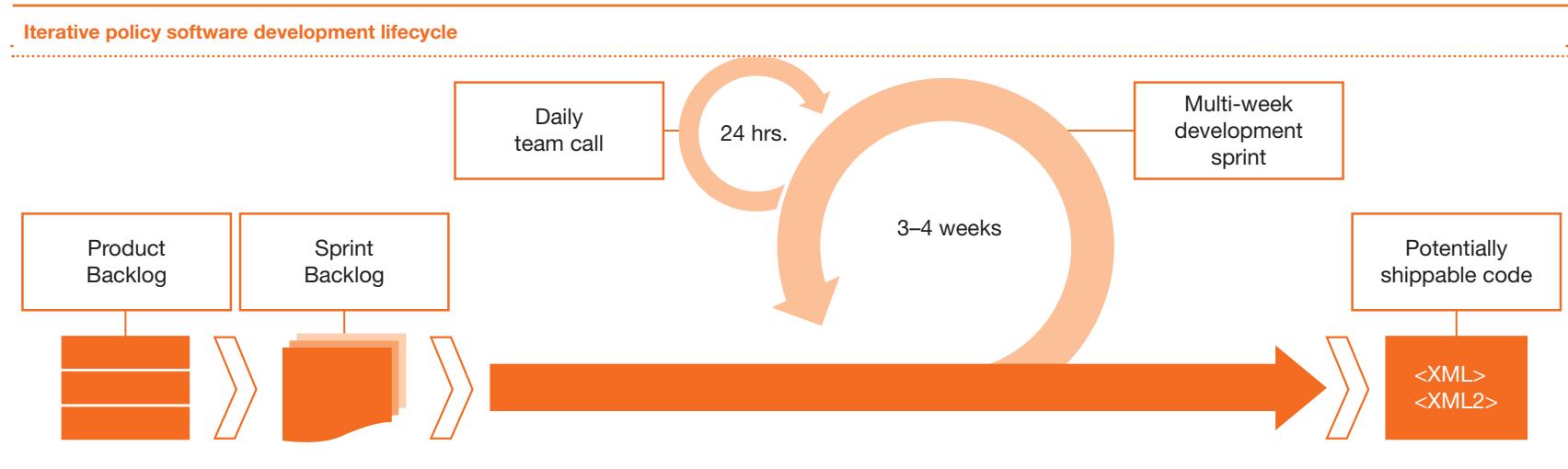
Key common differentiators in policy transformation projects include the ability to continually map daily program management decisions to the original benefits case, rapidly deliver code in an iterative manner, and apply a policy-specific framework to proactively identify and address common project challenges.



**Policy administration transformation programs should utilize flexible project methodologies that are tailored to the unique requirements of these programs.**

Program development principles should be based upon real-world experiences in implementing policy administration system transformations. In our experience, an agile-like development methodology provides the appropriate balance of speed, continuous feedback, and program control. Key features of an iterative development methodology include:

- **Emphasize working code over documentation**—Iterative development methodologies emphasize working software to track progress and promote business alignment through the use of end of sprint product demonstrations and early end user testing.
- **Utilize short development cycles**—Development is broken into consecutive four-week sprints, which are developed by identifying functionality from the **Product Backlog** and assigning it to a development sprint (the **Sprint Backlog**) based on resource capacity and overall program goals.
- **Conduct daily project status calls**—Utilize daily **Scrum Calls** to track each team member's process for the past and future 24 hours, as well as communicate project blockers.
- **Break large workstreams into finite goals**—Because some aspects of a policy program cannot be completed within a four-week sprint, the project team must develop demonstrable deliverables that can be included in the end of sprint demonstrations. Examples of this may include a completed conceptual design or a “stubbbed” integration.



## Policy administration system transformations help carriers do more with less and attain profitable growth...

In *Fire, Ready, Aim...*, we discussed how policy administration system transformation can improve a carrier's market responsiveness and operating leverage.<sup>1</sup> The table summarizes the key benefits that carriers can realize through implementation of transformation programs.

	Improved market agility	Operational efficiencies	IT rationalization	
<b>Product offerings</b>				<ul style="list-style-type: none"><li>• Bring innovative products to the market within existing product lines (e.g., product bundling).</li><li>• Expand the breadth of offerings outside of core markets.</li><li>• Improve the ability to react to regulatory change and risk exposure shifts.</li></ul>
<b>Customer focus</b>				<ul style="list-style-type: none"><li>• Increase penetration and share of wallet through improved responses to customer needs.</li><li>• Respond to prospective customer needs through flexible product offerings and responsive communication.</li></ul>
<b>Platform</b>				<ul style="list-style-type: none"><li>• A flexible policy platform allows carriers to rapidly change products to meet market demands.</li><li>• Business intuitive systems enable users to move rapidly from product design to implementation.</li></ul>
<b>Automate underwriting processes</b>				<ul style="list-style-type: none"><li>• Implement straight-through processing (STP) via advanced business rule definition.</li><li>• Reduce underwriting cycle times and referral volume, and enable automated re-underwriting.</li></ul>
<b>Increase self-service</b>				<ul style="list-style-type: none"><li>• Implement agency and customer self-service portals.</li><li>• Reduce call center volume.</li></ul>
<b>Decrease data entry</b>				<ul style="list-style-type: none"><li>• Leverage third-party integrations to reduce data entry.</li><li>• Increase system pre-fill rules, look-ups, and defaults.</li></ul>
<b>Simplify IT efforts</b>				<ul style="list-style-type: none"><li>• Decrease product design, development, and testing efforts.</li><li>• Reduce error-prone batch cycles and defect management.</li></ul>
<b>Reduced portfolio maintenance spend</b>				<ul style="list-style-type: none"><li>• Carriers have targeted 10%–30% reductions in maintenance budgets through license reduction, hardware/software rationalization, or service contract elimination.</li></ul>
<b>Reduced vendor spend</b>				<ul style="list-style-type: none"><li>• Identify and address vendor tool redundancy to rationalize the number of vendors and improve licensing terms.</li></ul>
<b>Reduced full-time equivalent (FTE) count or improved talent utilization</b>				<ul style="list-style-type: none"><li>• Decrease FTEs required to support the IT portfolio due to the simplification of the technology environment.</li><li>• Improve productivity by re-deploying staff to other activities that advance the business.</li></ul>

1 PwC, "Fire, Ready, Aim...Don't miss the point of a policy administration transformation," August 2011, [www.pwc.com/fsi](http://www.pwc.com/fsi).

**...while PwC's project approach enables policy administration system transformations that shorten development cycles, improve program quality, and control costs.**

Key features of PwC's project approach	Improves the ability to...
<b>Benefits mapping</b> —Plan the program sequencing and timeline by focusing on the highest lines of business (LOB) first.	...deliver functional capabilities.
<b>Change control</b> —Create program change thresholds for automatic acceptance. For example, changes under 8 hours may automatically be accepted by the project management office (PMO).	...design, manage, and govern the program.
<b>Iterative development</b> —By utilizing iterative development sprints, stakeholders see completed code periodically through end of sprint demonstrations.	
<b>Program planning</b> —Each piece of policy administration system (PAS) functionality is given a “story,” which is placed into an uncommitted backlog. At the beginning of each sprint, the team determines capacity and assigns stories to each developer.	
<b>Test first approach</b> —By conducting SIT cycles within the development phase, projects can identify issues earlier and shorten the end-of-project testing cycle.	
<b>Program sequencing</b> —Projects should sequence rating and forms work early in the sprints, as these represent the largest amount of work.	
<b>Large stories</b> —Stories that cannot be completed within a single sprint should be componentized into smaller steps and tracked within each sprint.	
<b>Utilize “gated” processes</b> —Not all aspects of a policy project can follow an iterative approach. As a result, migration and testing tasks should be done in a “gated” approach where one task must be completed before the subsequent task is commenced.	
<b>PwC's Policy Administration Delivery Framework</b> —By proactively focusing on the ten key capabilities necessary for project success, projects can improve delivery and reduce risk.	

**Common obstacles to program success center around two key challenges: delivery of required functionality and adequacy of program design, management, and governance.**

**Common obstacles related to the ability to design, manage, and govern the program**

Category	Common project issues	PwC response
Vendor & supplier management	Programs lack qualified resources and are unable to scale in a cost-efficient manner.	<ul style="list-style-type: none"> <li>Utilize a general contractor to provide technical expertise and flexible staffing.</li> </ul>
People & change management	End users of the system are resistant to change and are roadblocks to a successful implementation.	<ul style="list-style-type: none"> <li>Utilize an integrated change process to proactively identify blockers to change.</li> </ul>
Integration & architecture	Needed integration and enterprise infrastructure changes are ignored or made in parallel with the policy transformation.	<ul style="list-style-type: none"> <li>Develop and execute needed enterprise infrastructure changes prior to the policy transformation to lower project risk and duration.</li> </ul>
Program quality & testing	Testing is performed at the end of a program and is compressed by timeline pressures.	<ul style="list-style-type: none"> <li>Utilize “test first” methodologies and iterative development to proactively catch defects during the development cycle.</li> </ul>
Program management	Project struggles to meet scope, time, and budget goals.	<ul style="list-style-type: none"> <li>Confirm that the program plan meets key business strategy goals and implement fact-based change control, progress reporting, and people management strategies.</li> </ul>

**Common obstacles related to the program’s ability to deliver required functionality**

Category	Common project issues	PwC response
Customer & agent experience	The customer and agent experience is inconsistent and fails to meet changing demands.	<ul style="list-style-type: none"> <li>Utilize an enterprise-wide portal to provide consistent user interfaces and workflow.</li> </ul>
Underwriting & rating	Underwriting and rating plans are neither aligned with each other, nor to the organization’s long-term strategy.	<ul style="list-style-type: none"> <li>Proactively identify the underwriting and pricing strategy early in a program, and tailor the program’s tasks to the long-term goal.</li> </ul>
Data & analytics	Data needs are not met by the existing policy system.	<ul style="list-style-type: none"> <li>Define reporting and data requirements early in the program to confirm that the policy data model conforms to the requirements.</li> </ul>
Forms & documents	Forms and document development is complicated and takes longer than anticipated.	<ul style="list-style-type: none"> <li>Obtain regulatory approval for all forms changes prior to starting the program.</li> <li>Create a dedicated forms team to manage the lifecycle of a form.</li> </ul>
Data migration	Data quality issues are not addressed as part of the migration, and the migration strategy impacts the organization’s daily operations.	<ul style="list-style-type: none"> <li>Develop data cleansing rules and scripts to make legacy data corrections before migration.</li> <li>Select a migration strategy that best meets the organization’s capability to change.</li> </ul>

**To overcome the common obstacles to implementing an optimized policy administration system transformation, carriers should develop capabilities in 10 categories that are essential to success.**

Transformation projects across geographies, lines of business, and operating models have encountered the common obstacles described previously. As a result, PwC has developed a framework to assist carriers in addressing and overcoming these obstacles through the development of core business capabilities in 10 categories. The tables below highlight these capabilities.

#### *Delivery of required functionality*

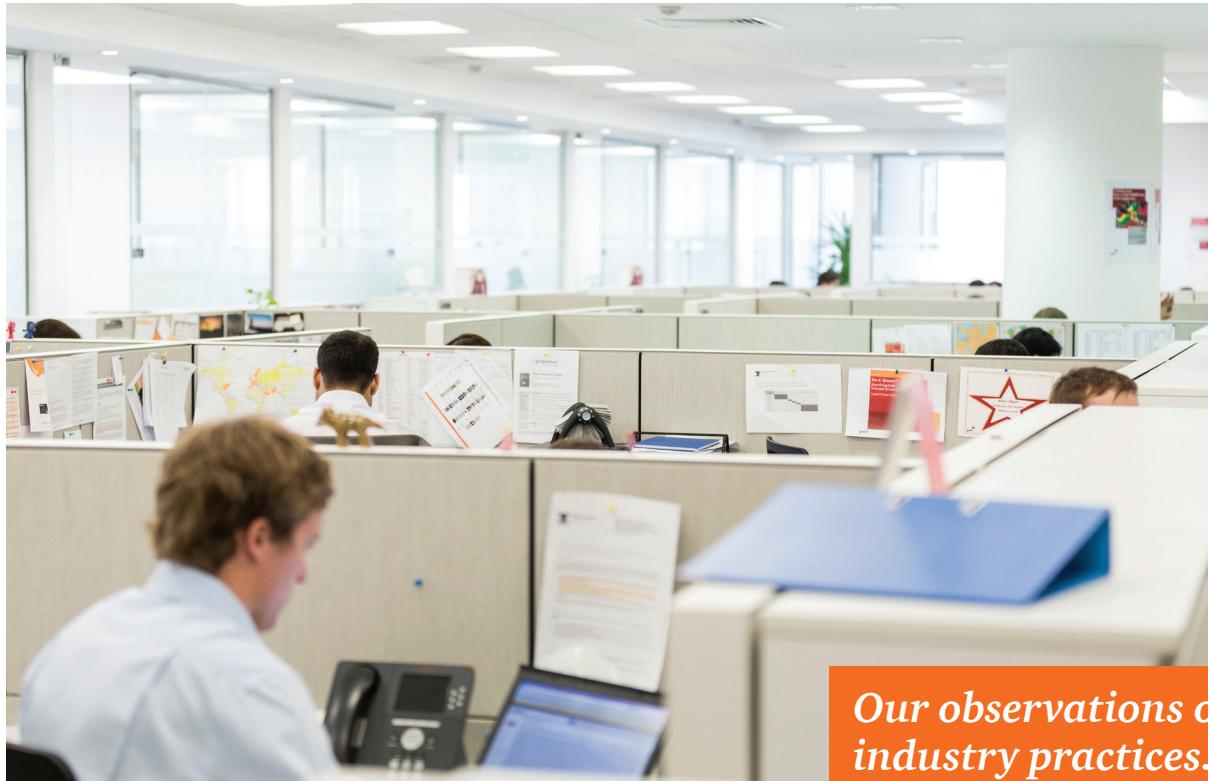
Capability	Objective
Customer & agent experience	Improve customer and agent interaction through the use of consistent user interfaces and workflows across key systems (e.g., policy, billing, claims).
Underwriting & rating	Align the program's tasks to meet the carrier's goals for underwriting and pricing automation.
Data & analytics	Plan for the analytic needs of the data early in the process to prepare for information demand and avoid expensive rework later.
Forms & documents	Consolidate and standardize forms where possible to reduce development effort and decrease future business and IT maintenance.
Data migration	Identify legacy data quality issues early, and develop custom rules and scripts to fix this data prior to migration.

#### *Key program capabilities*

#### *Design, manage, and govern the program*

Capability	Objective
Vendor & supplier management	Partner with a general contractor to address sourcing needs and mitigate implementation risk.
People & change management	Utilize a change management framework to mitigate operational impacts and speed user adoption.
Integration & architecture	Implement modern enterprise architectures prior to or early in the policy transformation to mitigate program risk.
Program quality & testing	Perform a "test first" approach where risk-based tests are performed during the development phase.
Program management	Develop a sound business case and tie program decisions, the program plan, and change control decisions to a quantifiable return on investment (ROI) calculation.

## ***Competitive intelligence***



*Our observations of  
industry practices.*

**The following table identifies current market practices related to delivering functional capabilities of a policy administration system transformation program.**

Area of focus	Insurer A	Insurer B	Insurer C
Customer & agent experience	 The system has been developed to support future agent access through the use of easy-to-follow wizards and a segregated security model to control an external user's access rights.	 The system interacts with a customer- and agent-facing portal to provide a consistent "look and feel" while also providing a secure environment to interact with the policy system.	 The system has been designed to support agent access through the use of thoughtful navigation and easy-to-configure rules that guide the user through the interview. However, the navigation does not fully take into account the future need for customer access.
Underwriting & rating	 Rating is supported as a component of the policy administration system to allow for full rate flexibility and actuarial self-service through an algorithm workbench.	 An externalized rating engine is called in real time for all rating requests.	 Rating is a key component of the policy solution and allows for non-technical business and actuarial resources to manage the rate tables and rules. In addition, underwriting (UW) rules are easily configurable for various UW levels of authority.
Data & analytics	 An enterprise data mart provides a single point for reporting; however, no master data management (MDM) is in place to scrub and consolidate data.	 An enterprise data warehouse was implemented to include both legacy and new data. A self-service user interface (UI) is supported for self-service report generation.	 There is an enterprise data warehouse that complements the policy solution, and data management principles are in place to ensure proper governance.
Forms & documents	 Simple forms changes can be accomplished by an information technology business analyst (ITBA) through configuration of forms inference logic.	 Integration to an externalized forms generation tool is responsible for the rule execution and forms generation.	 Forms updates can be accomplished through easily configured tools. Forms management is robust in the vendor product, but creation and maintenance of the declarations are lacking.
Data migration	 Agency and account information are cleansed prior to migration into the new policy system.   Policies are migrated into the new system at renewal with a legacy indicator to support continuity of the policy term number.	 Legacy policies are migrated into an intermediate application 152 days prior to renewal where the data is scrubbed before converting into the policy administration system.	 Policies will be converted into the new system at renewal, but the conversion will likely be manual.

 Leading

 On par

 Lagging

**The following table identifies current market practices related to the management of a policy administration system transformation program.**

Area of focus	Insurer A	Insurer B	Insurer C
Vendor & supplier management	Program utilizes a single system implementer to control the management, planning, and cost of the program.	Program utilizes a mix of internal and external staff (general contractor and software vendor).	Program utilizes two vendors for implementation, but only one controls the management, planning, and cost of the program.
People & change management	Training and people change management is performed late in the program, with on-site visits to key field offices for early feedback and training.	Existing business processes are reviewed as part of the program, and business process reengineering is performed as part of the implementation. To promote alignment, the business is engaged in daily program management of the project.	The program has instituted an organizational change management team, which is a part of the program leadership team. Training and people change are timed appropriately throughout the program, and communication of key decisions has occurred throughout.
Integration & architecture	Integration is supported by means of an existing enterprise service bus (ESB); however, the enterprise lacks an abstracted data model and MDM.	Integration is supported through an ESB utilizing .NET integrations in most, but not all, cases.	Key program architects look to keep much of the functionality within the policy administration system instead of relying on a significant number of integrations.
Program quality & testing	Robust and proactive system integration testing (SIT) and user acceptance testing (UAT) test cycles reduced production defect counts; however, the lack of automated performance and regression testing increased testing cycles.	Functional testing is performed within the development sprints, and automation test cases were developed for high-risk test cases. Two regression test sprints and two UAT test sprints were conducted following the development cycle.	The program utilizes five test phases including application, integration, system, performance, and UAT. Business users moved from the requirements to the test team during SIT and UAT.
Program management	Program follows an agile development process and adheres to aggressive program schedules through short sprint cycles and SIT within the development phase.	The project utilizes an agile development process with defined change control and key decisions following a predefined project management office (PMO) process.	Program is following a modified rational unified process (RUP) approach that allows for iterations. Program follows a quarterly “plan refresh” process that allows for the team to refine the high-level plan while still living within the original program schedule.

 Leading  On par  Lagging

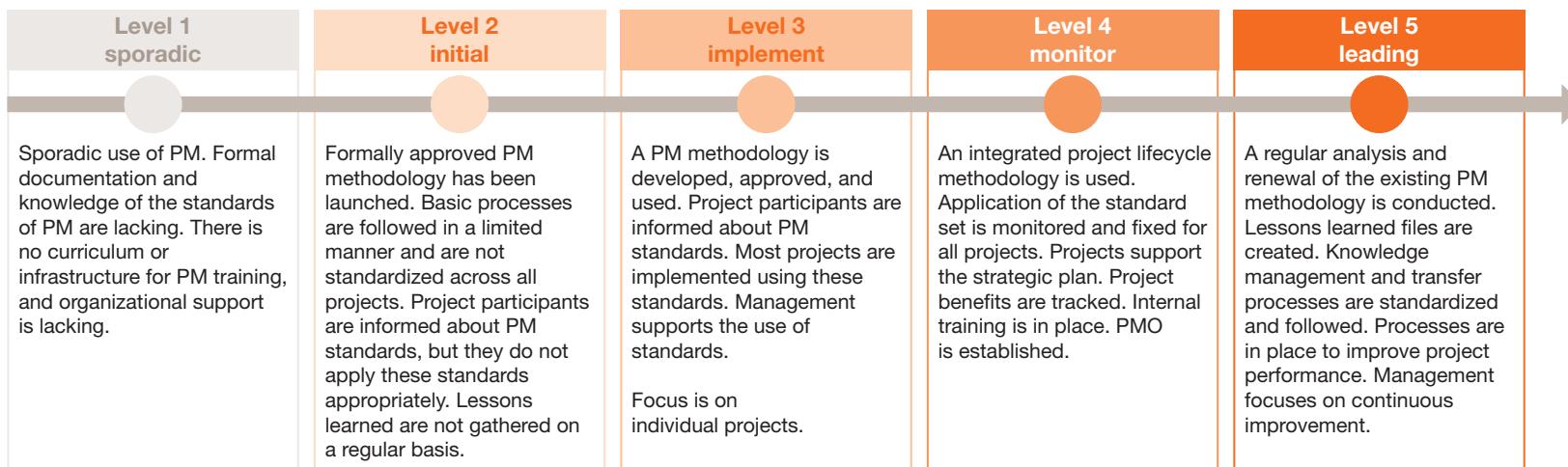
**Companies across all industries, including insurance companies, have increased their project management maturity since 2004.<sup>1</sup>**

PwC has conducted its third global survey of senior executives to understand the current state of project management. As a result, we found:

- **Increase in project management (PM) maturity**—Since 2004, organizations have significantly increased their PM maturity.<sup>1</sup> In 2004, most organizations were operating in the 1, 2, or 3 maturity levels; however, in 2012, over 62% of these organizations now operate at level 4 or 5 maturities.<sup>1</sup>
- **Agile project management**—34% of respondents currently utilize an agile PM methodology. Of those organizations, Scrum agile remains the predominant form (43%) with Lean/Test-Driven Development (11%) and eXtreme Programming (10%) a distant second and third, respectively.<sup>1</sup>

#### PwC's project management maturity model

##### Maturity model



In *Insights and Trends: Current Portfolio, Programme, and Project Management Practices*, we surveyed over 1,500 senior executives in order to understand the state of the global project management discipline.<sup>1</sup>

<sup>1</sup> PwC, "Insights and Trends: Current Portfolio, Programme, and Project Management Practices," August 2012, [www.pwc.com/us/en/public-sector/publications/global-pm-report-2012.jhtml](http://www.pwc.com/us/en/public-sector/publications/global-pm-report-2012.jhtml).

## ***A framework for response***



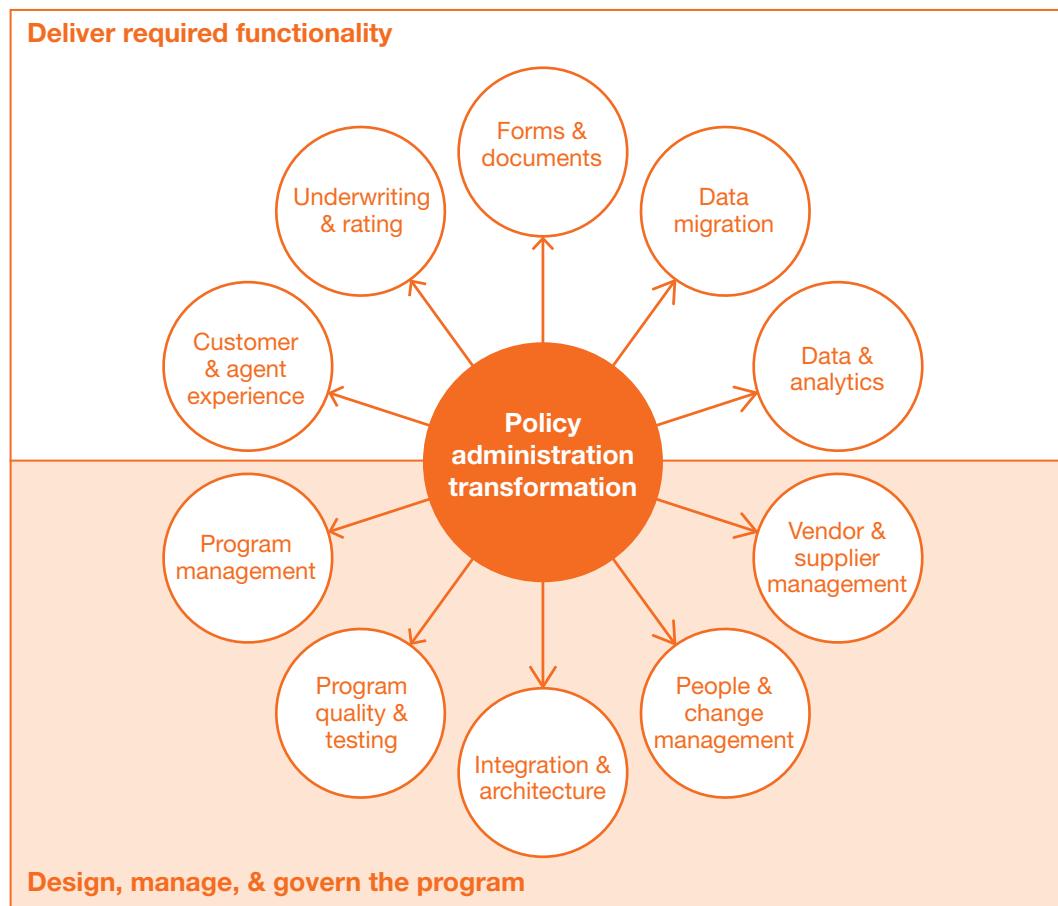
*Our recommended approach  
to the issue.*

## **PwC's Policy Administration Delivery Framework defines key capabilities that projects must master.**

PwC's Policy Administration Delivery Framework groups together key functional capabilities to provide a framework for action across ten capabilities and two project groupings.

- **Deliver required functionality**—Capabilities in this grouping focus on developing key system functions to help the policy systems meet the operational requirements for go-live.
- **Design, manage, and govern the program**—Capabilities in this grouping focus on capabilities necessary to deliver the program within the triple mandate of scope, budget, and timeline.

### **PwC's Policy Administration Delivery Framework**



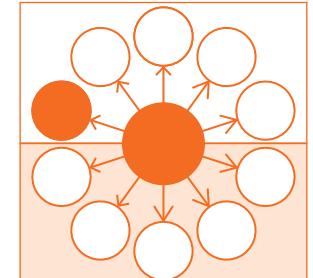
Customer & agent experience  
***A portal can provide a secure and consistent user experience when utilized across every customer touch point (for example, claims, billing, and policy).***

Portal solutions have been successfully leveraged to provide carriers with consistent and secure user experience for external (customer and agent) users.

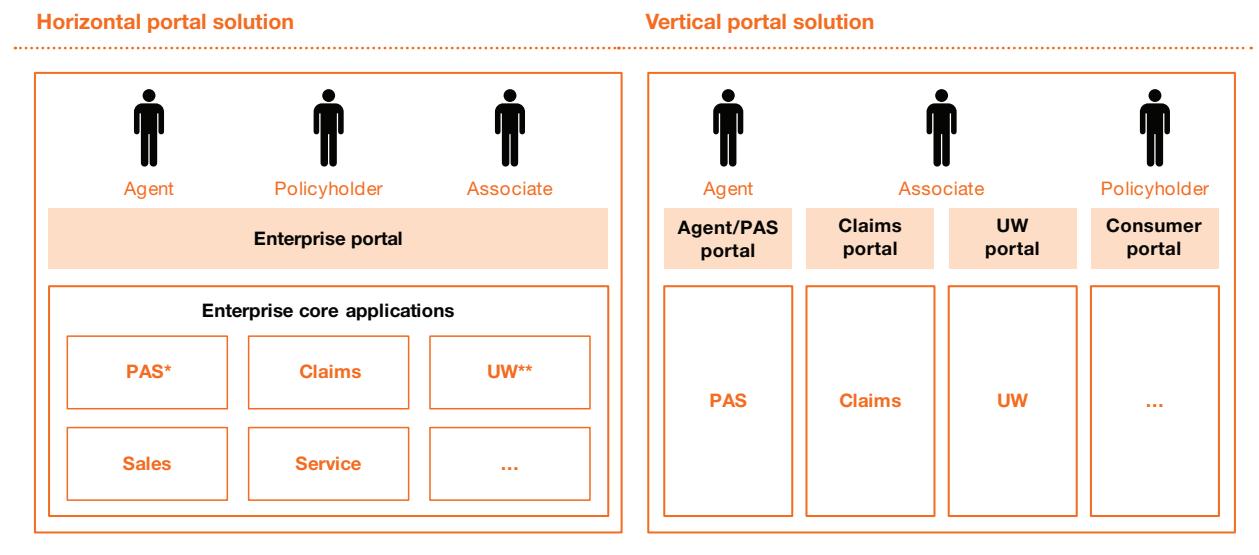
When considering a portal, carriers must consider their unique needs to determine which portal strategy best meets their needs.

- **Horizontal portal**—Portal integrates and aggregates information from multiple cross-enterprise applications, as well as time-specific tools and applications.
- **Vertical portal**—Focuses on accessing specific applications or business functions. Tight alignment with the core application typically delivers more “out of the box” portal functionality.

Policy administration transformation



Customer & agent experience



\* PAS = Policy Administration System

\*\* UW = Underwriting

## Underwriting & rating

### **The policy system should be configured to support the carrier's long-term underwriting and pricing strategies.**

*The “expert system” strategy seeks to automate the majority (>90%) of all submissions. Coupled with a sophisticated rating plan, nearly all risks can be priced automatically, with little human intervention.*

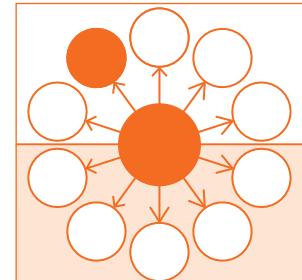
*The “human system” strategy seeks to automate repetitive and manual tasks; however, the ultimate risk assessment and pricing determination are made by expert underwriters, who are capable of evaluating the risk.*

In PwC's publication entitled, *Missing the forest for the trees? Adapting underwriting intensity to boost insurance property and casualty sales*, PwC discusses how aligning underwriting processes and systems can allow underwriters to pursue higher-value relationship-based tasks.<sup>1</sup>

Depending upon a carrier's desired level of underwriting and pricing automation, the approach and tasks undertaken in the transformation may differ.

- **Expert system**—Key focus includes development of sophisticated automated risk scoring models; integrating the policy, workflow, and rating systems; and support of a “price all risks” rating plan.
- **Human system**—Key focus includes supporting human-based underwriting processes and subjective pricing through the use of flexible rating plans and insurance products.

## Policy administration transformation



## Underwriting & rating

### Project tasks vary by underwriting & rating strategy

	Expert system strategy	Human system strategy
Underwriting	<ul style="list-style-type: none"><li>• Develop an automated risk scoring model based on key risk characteristics.</li><li>• Develop workflow and assignment rules based on risk scoring thresholds.</li><li>• Integrate new UW question sets, third-party data sources, and information from other core systems (e.g., billing, claims).</li></ul>	<ul style="list-style-type: none"><li>• Conduct process reengineering early within the program to identify and improve manual workflow.</li><li>• Identify areas for automation, and integrate reusable processes into the system.</li><li>• Utilize business rules to track and escalate time-sensitive requests.</li></ul>
Rating	<ul style="list-style-type: none"><li>• Develop a “bootstrap” rating model to independently validate and model the rating algorithm.</li><li>• Expose every step within the rating algorithm to the reporting tool to support future rate analysis.</li><li>• Design rating to support exponential increases in data (e.g., big data).</li></ul>	<ul style="list-style-type: none"><li>• Develop a security model to control which individual users can override risk acceptances and premiums and to what extent.</li><li>• Allow rate flexibility through schedule modifiers and flat premium overrides.</li><li>• Develop rating worksheets to break down the policy's rate development.</li></ul>

<sup>1</sup> PwC, “Missing the forest for the trees? Adapting underwriting intensity to boost insurance property and casualty sales,” August 2012, [www.pwc.com/fsi](http://www.pwc.com/fsi).

Forms & documents

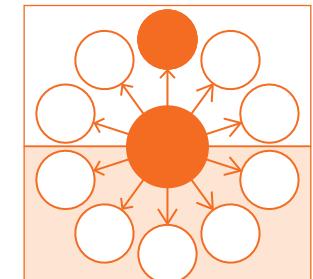
**Consolidate and standardize forms where possible to reduce development effort and minimize future business and IT maintenance.**

The forms workstream frequently challenges programs that fail to accurately size the required effort and take advantage of opportunities to consolidate and standardize forms.

While forms requirements and development typically require simpler data mapping and inference rules than other workstreams (e.g., rating), the volume of forms frequently requires a level of effort that may imperil project timelines if not properly sized.

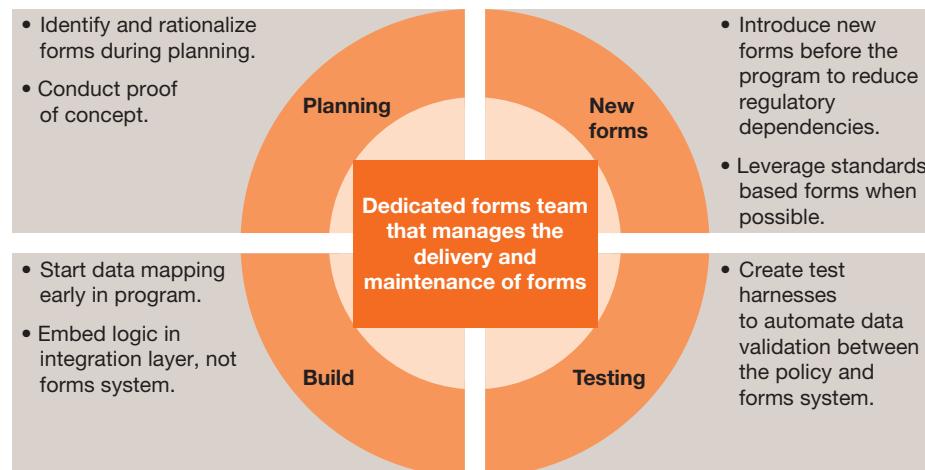
By leveraging standards-based templates (e.g., ACORD, AAIS, ISO), performing an inventory during planning, and consolidating forms, projects can reduce development effort and improve future business and IT maintenance.

**Policy administration transformation**



**Forms & documents**

#### Forms development & management



## Data migration

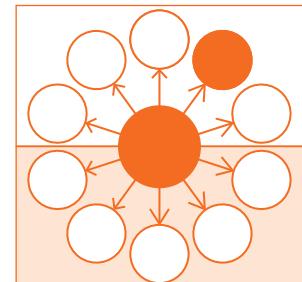
**The data migration should be seen as an opportunity to fix data issues from the legacy policy systems.**

When planning a migration, the program should take the opportunity to make needed data corrections, as well as consider all possible migration options, including a big bang or rolling migration at policy renewal.

Carriers should consider how the following factors may impact their migration strategy:

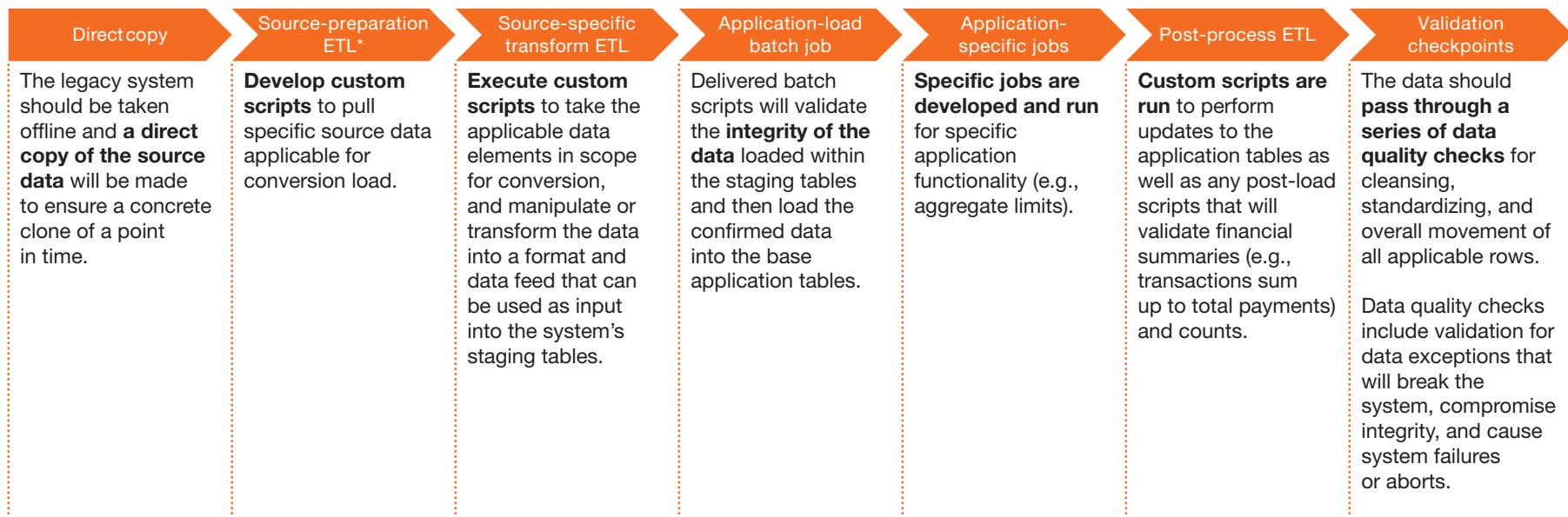
- Data quality of legacy systems.
- Number of systems to de-commission.
- Alignment of migrations to the program plan (line of business [LOB], state, etc.).
- Organizational readiness to support either migration approach.

## Policy administration transformation



Data migration

Leading carriers develop custom scripts and jobs to identify and fix legacy data issues before the actual migration.



\* ETL = Extract, Transformation, and Loading

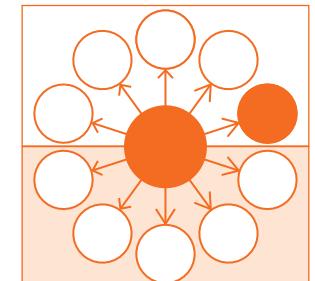
## Data & analytics

**Effective business analytics are a key differentiator in today's market, and its success begins with policy administration data capture.**

Successful carriers place a concerted focus on information and analytics at the onset of their policy administration system implementation. Key questions carriers should ask include:

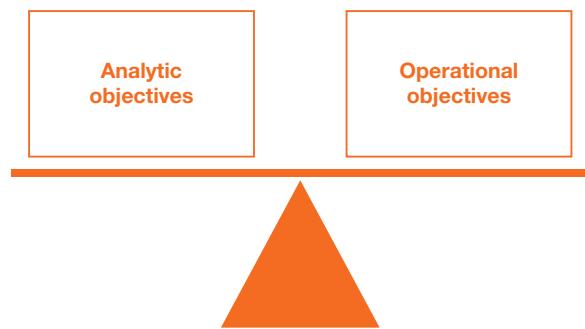
- What analytics will be key to steer the organization both strategically and operationally?
- What requirements must the policy administration system data satisfy to support this?
- What impact would these requirements have on operational objectives of the policy administration system?
- What is the appropriate balance between the two?

## Policy administration transformation



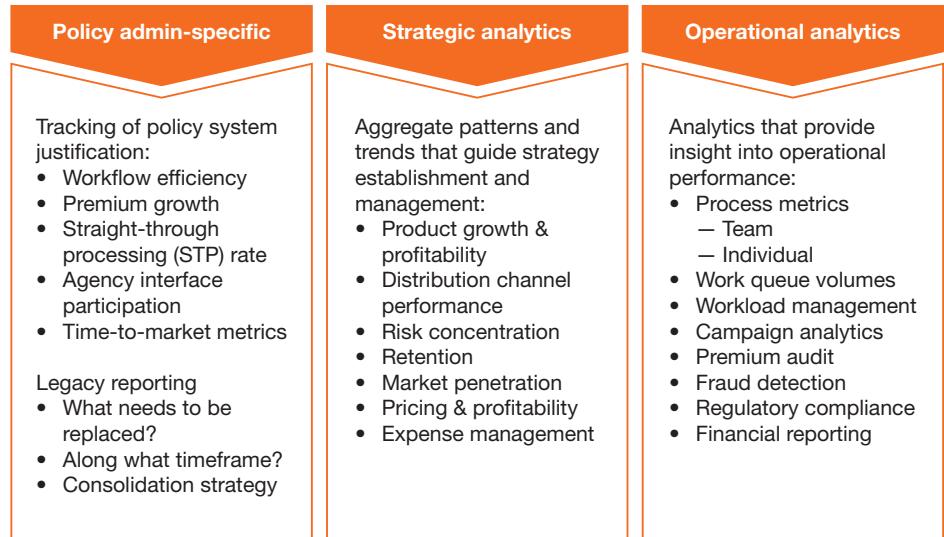
### Data & analytics

#### A balanced approach to PAS data capture and controls



- Analytic objectives focus on controls to protect data quality as the foundation of effective analytics.
- Operational objectives focus on process efficiency and speed, with data controls used to support process automation.

#### Areas of analytic focus

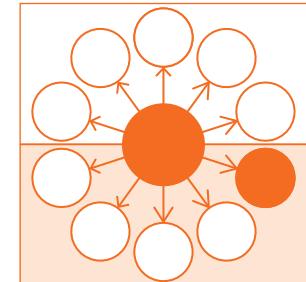


Vendor & supplier management  
**By partnering with a general contractor, carriers can better address sourcing needs unique to the policy transformation.**

Through the use of a general contractor, carriers can realize a number of benefits, including:

- **Skilled resources** that do not exist internally in the organization. Examples include project managers, architects, business analysts, developers, and testers.
- **Thought leadership** and experience from similar engagements across a variety of perspectives (e.g., industry, functional, technical).
- **Variable capacity** to quickly ramp up resources as needed by the program.
- **Shared accountability** to deliver on agreed-upon scope within planned schedule and budget (e.g., “fixed bid”).
- **Cost efficiency** through the appropriate mix of skilled on-shore and offshore resources.

Policy administration transformation



Vendor & supplier management

#### Sourcing questions to consider:

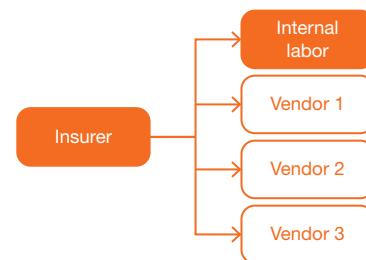
What are the skills needed to implement policy administration?

Whom do I need to hire/on-board to address skill gaps?

How do I manage my budget efficiently to ramp up/down resources as I need them?

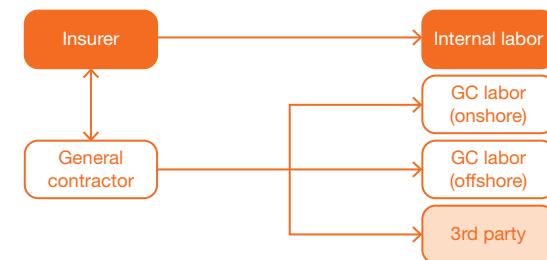
How do I generate commitment across all team members to deliver scope on time?

#### Traditional sourcing model



- Insurer is responsible for identifying, acquiring, and managing resources.
- Insurer is required to manage multiple vendors that are supplying different resources with different skill sets and costs.

#### General contractor (GC) model



- Insurer shares accountability with a single general contractor in order to help jointly achieve goals as they pertain to quality, timely delivery, and cost.

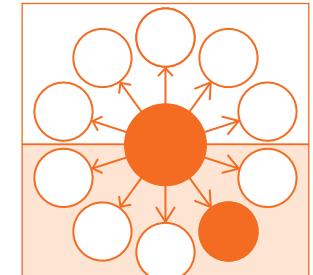
People & change management

***A key differentiator between policy administration system implementations that succeed and fail is how well an organization reduces the disruption that comes with such a complex, long-term transformation.***

To increase project acceptance, carriers should apply the following people and change success factors:

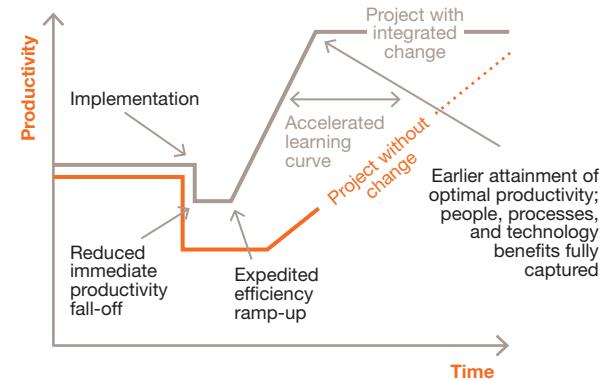
- Be sensitive to job changes, and assess the level of impact and support that stakeholders have based on the needed change.
- Engage the right leaders, and give them opportunities to develop and support the transition and its long-term goals and implications.
- Determine the level and style of communications that will engage all stakeholders throughout the change.
- Define all legacy cultures, and develop tactics and implementation plans to mobilize people to work together effectively.
- Use performance and talent management techniques to control employee costs and risks, and promote the behaviors that will support your business goals.
- Align HR strategies with your business strategy to navigate people through change.
- Develop tangible processes and deliverables to manage people fairly, honestly, and positively.
- Don't forget to include external partners (e.g., agents and customers) in your people and change management frameworks.

**Policy administration transformation**



People & change management

**Post-go-live productivity curve**



***Projects with integrated change improve post go-live productivity.***

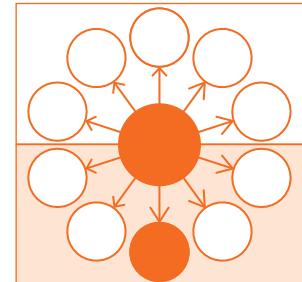
## Integration & architecture

***A modern enterprise architecture is not only the foundation of a successful policy transformation but also a critical factor in realizing expected project benefits.***

PwC believes carriers who implement core enterprise architectural changes prior to the inception of a policy transformation mitigate project risk and improve overall outcomes. To achieve these goals, carriers must:

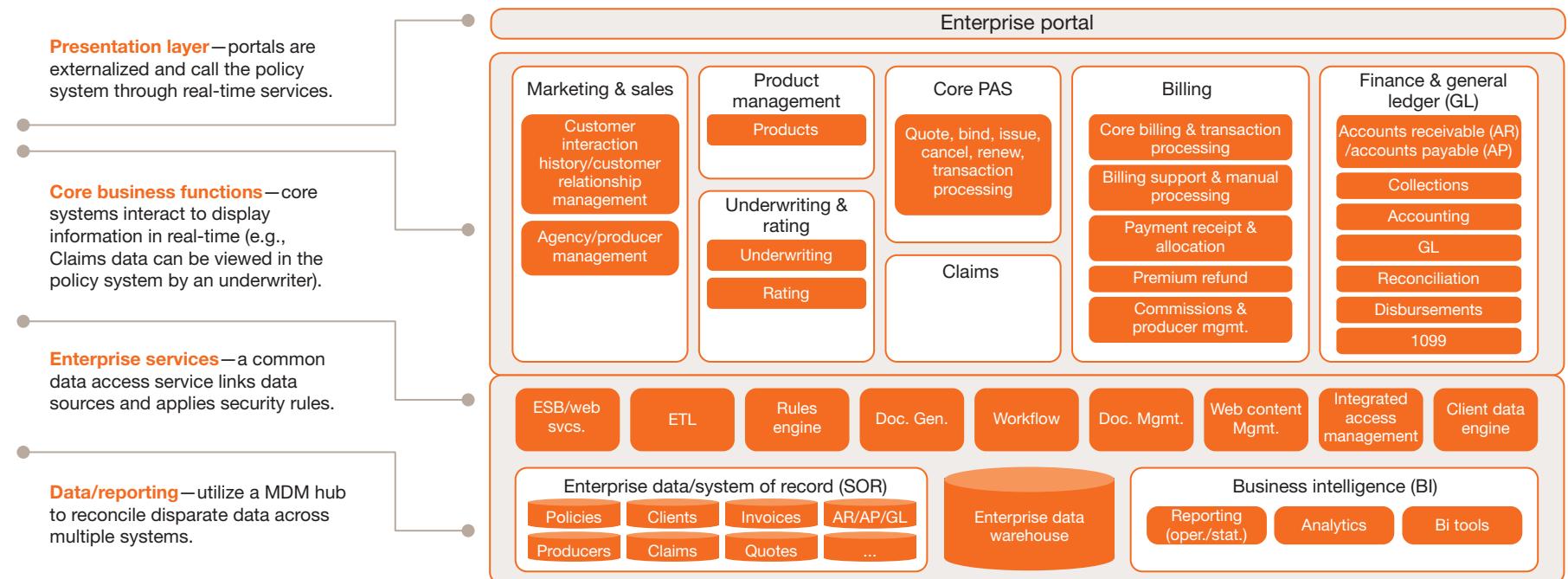
- Achieve needed enterprise architectural changes prior to starting the policy transformation or, at a minimum, have this work planned before the transformation commences.
- Implement an enterprise service bus (ESB) that utilizes reusable service-oriented architecture (SOA).
- Develop an abstract enterprise data model that can be used to populate the master data management (MDM) intermediate layer.

## Policy administration transformation



## Integration & architecture

### PwC reference insurance architecture



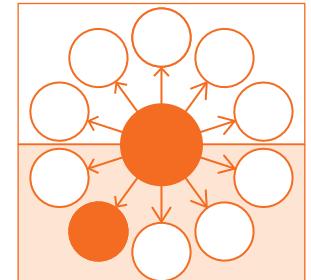
## Program quality & testing

**Testing should be executed within the development sprints, not at the end of the development phase.**

Programs often compress the duration of System Integration Testing (SIT) and user acceptance testing (UAT) due to timeline constraints. We believe this compression is a mistake, as it increases the risk of undetected defects and gaps which can be introduced into the live system.

To address this issue, programs should take a “test first” approach that emphasizes SIT during the development phase on a one-sprint trailing basis. This enables the testing team to adequately test completed code and reduce the volume of defects in later SIT and UAT phases.

## Policy administration transformation



## Program quality & testing

### Risk-based approach

- Take a risk-based approach to testing where the majority of testing effort is focused on high-risk areas of rating, forms inference, reporting, and downstream integration.

### Code quality

- A published code standards document must be created and adhered to by all developers.
- A “build master” is designated to manage all builds, test the build, and serve as the point of contact for all code management.

### Test-first sequencing

- Conduct SIT in the development phase, but stagger the effort to test code that was completed in the prior sprint (e.g., program tests Sprint 3 code while Sprint 4 development is inflight).

### Client-led testing

- UAT is led by the client and includes ownership of test case creation, execution, and confirmation of defect fixes.

### Automate testing

- Automate regression and performance tests through the creation of a flexible test harness.
- Use legacy data and volumes to accurately reflect future system loads and data combinations.

## Requirements traceability

- Test cases are based on complete and approved functional requirement documents (e.g., use cases, business specification document, wireframes) and each case can be traced to specific requirement numbers.
- A change control process is in place to manage requirements changes and communicate those impacts to the testing team.

## Program management

**Insurers need to make sure they not only build a sound business case, but also manage the program to that business case.**

### Building the “right” business case for PAS transformation

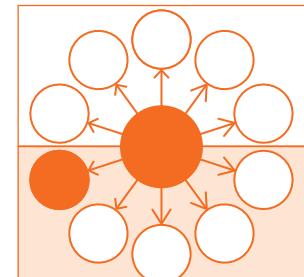
Insurers often miss return on investment (ROI) opportunities and struggle to achieve profitable growth and expense ratio reductions by not aligning key business drivers (differentiated customer/agent experience, product agility, improving operating leverage) with their transformation strategy.

For more information, see PwC's publication entitled, *Fire, Ready, Aim...Don't miss the point of a policy administration transformation*.<sup>2</sup>

Fifty percent of large policy administration system transformations are “challenged,” meaning that the programs make it to the deadline, but fail to fulfill all of the original benefit requirements.<sup>1</sup>

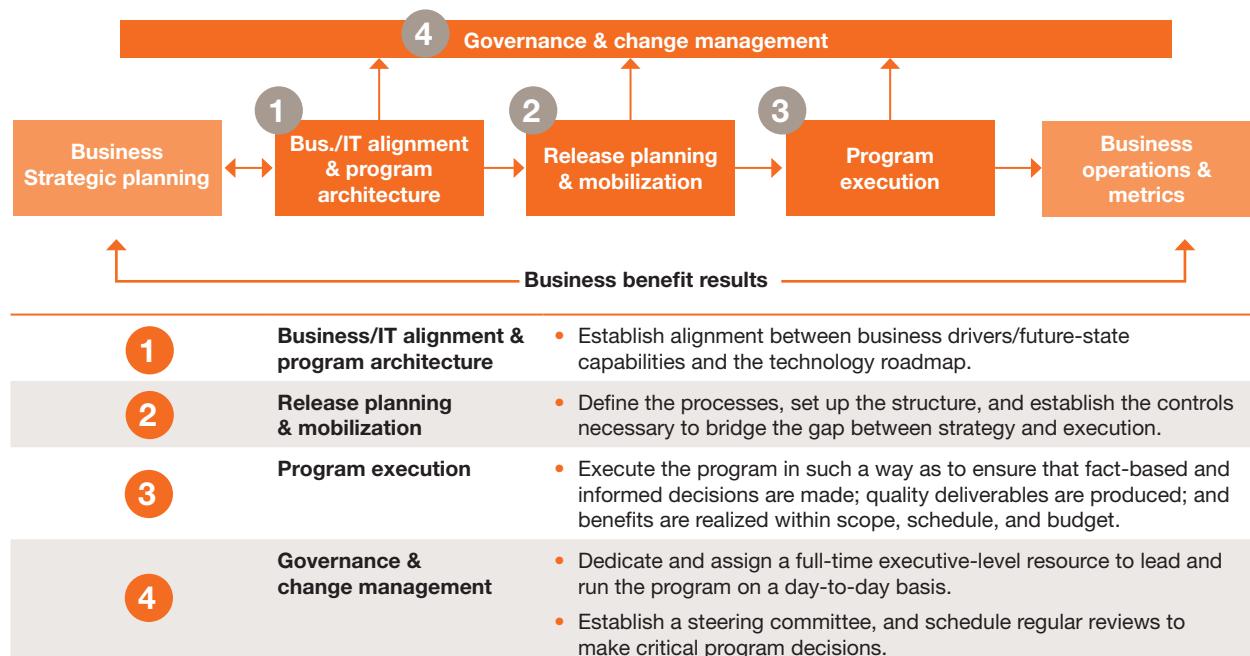
To improve success rates, insurers need to apply a holistic approach that links the business case from strategy through execution, and provides a clear line of sight into benefit realization along the way.

### Policy administration transformation



Program management

### Holistic program delivery view



1 PwC research and analysis.

2 PwC, “Fire, Ready, Aim...Don't miss the point of a policy administration transformation,” August 2011, [www.pwc.com/fsi](http://www.pwc.com/fsi).

## ***How PwC can help***



*Our capabilities and  
tailored approach.*

## PwC serves 94% of Fortune 500 insurance companies and extends into small- and medium-sized carriers.



PwC's approach to serving our clients provides them with a single point of accountability, which creates an efficient and effective day-to-day working arrangement. Most importantly, this approach best positions our clients for success. We have significant experience in helping to drive complex programs, and we believe strongly that we can work successfully in a cost effective manner to meet your organization's needs and objectives.



PwC is a trusted global brand and has been recognized as a leader in the industry:

- Kennedy Research ranked PricewaterhouseCoopers the second largest overall consulting provider by revenue in their 2012 Global Consulting Index.<sup>1</sup>
- According to IDC analysis and buyer perception, PwC is an IDC MarketScape Business Consulting Services Leader Worldwide and in the Americas.<sup>2,3</sup>
- PricewaterhouseCoopers was named a "Leader" in Gartner's Magic Quadrant for Financial Management Consulting Services Worldwide 2012.<sup>4</sup>



PwC's network of firms provides global depth and breadth:

- PwC has over 165,000 employees globally in 158 countries.
- PwC's North American Insurance Advisory Practice employs over 2,000 consultants who are focused on insurance consulting and transformation.
- PwC possesses global development centers in India, Shanghai, Belgium, and Slovakia.

<sup>1</sup> Global Consulting Index 2012, © Kennedy Information LLC. Reproduced under license.

<sup>2</sup> IDC, "IDC MarketScape: Worldwide Business Consulting Services 2013 Vendor Analysis," Cushing Anderson, February 2013 (#239484).

<sup>3</sup> IDC, "IDC MarketScape: Americas Business Consulting Services 2013 Vendor Analysis," Cushing Anderson, Jim Westcott, February 2013 (#239482).

<sup>4</sup> Gartner Research, "Magic Quadrant for Financial Management Consulting Services Worldwide 2012," November 8, 2012, Jacqueline Heng and John E. Van Decker. Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner claims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.

**PwC has supported over 40 successful policy, claims, and billing systems implementations for global, national, and regional carriers.**

Selected engagements	Solution	Strategy			Mobilization/execution		
		Operational strategy	Assessment	Vendor selection	Mobilization planning	Execution	Vendor management
Global insurance carrier	Policy, claims	■	■	■	■	■	■
Mid-sized P&C carrier*	Policy, billing	■	■	■	■	■	■
Top 3 carrier	Policy, billing	■	■				
Top broker	Policy, agency management	■	■	■	■	■	■
Top personal lines insurer	Policy	■	■	■	■	■	■
Large life insurance company	Policy, billing, claims	■	■				
Leading E&S carrier**	Policy, billing, claims			■	■		
National P&C carrier	Policy	■	■	■	■	■	■
International P&C insurer	Policy, billing				■	■	■
Regional P&C carrier	Policy	■	■	■	■	■	■
National E&S insurer	Policy, billing	■	■	■	■	■	■
Regional P&C carrier	Policy, billing, claims		■	■	■		
Regional Workers' Comp carrier	Policy, billing, claims	■	■		■	■	■
International reinsurer	Policy, claims	■			■	■	■
Regional insurer	Policy, billing, claims	■	■		■	■	■

\* P&C = Property and Casualty

\*\* E&S = Excess and Surplus

**From any-shore delivery to business transformation, PwC offers an unmatched breadth and depth of policy administration services.**

Client needs	Services we provide our clients
Business transformation	<ul style="list-style-type: none"> <li>• Actuarial Services</li> <li>• Insurance Analytics</li> <li>• Organizational Design</li> <li>• Company and Business Unit Strategy</li> <li>• New Product Design and Development</li> <li>• Market Analysis</li> <li>• Cost Takeout</li> <li>• Finance Effectiveness</li> <li>• Regulatory and Compliance</li> </ul>
Policy administration program	<ul style="list-style-type: none"> <li>• Program Management</li> <li>• Billing and Claims Solutions</li> <li>• Data Warehouse, Analytics, and Reporting</li> <li>• Print and Forms Solutions</li> <li>• Workflow and Content Management</li> <li>• Portal and Agency</li> <li>• Testing Center of Excellence</li> <li>• Architecture and Infrastructure</li> <li>• Business Case Development</li> <li>• Project Management</li> <li>• Functional Requirements, Rates, and Rules</li> <li>• Product Configuration</li> <li>• Application Configuration</li> <li>• Application Integration</li> <li>• Testing (Functional, Integration, and User)</li> <li>• Change Management</li> </ul>
Any-shore delivery	<ul style="list-style-type: none"> <li>• Dedicated offshore Policy Administration and Insurance specialists</li> <li>• Development Centers in India and China</li> <li>• Policy Application Configuration</li> <li>• Forms Creation</li> <li>• Integration Layer Development</li> <li>• Testing (Application and Integration)</li> <li>• Application Maintenance and Support</li> </ul>



## Appendix



*Select qualifications.*

## **Policy Administration Systems transformation— Global property and casualty insurer**

<b>Issues</b>	<p>The client wanted to increase speed to market for insurance products and underwriting expenses. It required a solution that would improve competitive position within the property and casualty (P&amp;C) insurance segment by improving service to agents, achieve speed to market for tailored insurance products, increase utilization of underwriting resources, and control policy administration expenses. Its current systems were not capable of supporting critical success factors, including outstanding service, creative products, competitive pricing, and appropriate policy administration cost structure. At project commencement, operating environment included multiple rating systems, multiple return on investment (ROI) systems, multiple and outdated operating systems, batch processing, multiple vendor support, and maintenance. As a result of these business and IT drivers, a phased approach was initiated for replacement of the legacy Commercial and Specialty Lines Policy Administration Systems (PAS).</p>
<b>Approach</b>	<p>PwC worked with the client to help in the following areas:</p> <ul style="list-style-type: none"><li>• Developed a business case, including creation of and process management for a policy administration request for information (RFI), synthesizing of vendor responses, and executive summary of key findings.</li><li>• Initiated repository of product, underwriting, agency, operational, and system-based requirements.</li><li>• Conducted stakeholder interviews across functions to gather and further refine business requirements, and to allow for consensus among all stakeholders in the policy administration system selection process.</li><li>• Identified vendor products with eligibility to meet unique needs and requirements.</li><li>• Leveraged and expanded requirements repository and created a scoring methodology for RFI responses.</li></ul>
<b>Benefits</b>	<ul style="list-style-type: none"><li>• Created a multi-phased approach to system replacement, which included collaborative effort across multiple corporate interests and workstreams.</li><li>• Enhanced current agency interface, underwriting, rate/quote/issue, and policy administration applications.</li><li>• Created and identified strategic business and system requirements, along with vendor selection criteria to determine ideal partnership benefits.</li></ul>

## **PAS transformation— National P&C insurer**

### **Issues**

The client wanted to improve its efficiencies in the marketplace by achieving financial goals through providing products, tools, and platforms. The focus was on successfully implementing quality tailored insurance product deliverables designed to improve agents' and brokers' ease of doing business. This was to be achieved by improving the user experience and being responsive to producer needs, and by improving speed to market in delivering competitive rates and coverage to the marketplace.

### **Approach**

PwC worked with the client to help in the following areas:

- Developed a policy administration system replacement strategy plan by gathering, analyzing, and documenting underwriting and products rules.
- Conducted a software evaluation and selection process and developed a six-year cost/benefit analysis.
- Helped assess existing administration systems and associated cost and constructed a detailed implementation plan.
- Trained 80 team members and developed a mentoring program that allowed staff to quickly become subject-matter advisors on the vendor's product.
- Improved implementation support by providing project management office (PMO) assistance.
- Supplemented existing staff for business services with an additional 30 professional resources for requirements analysis and test planning.
- Removed legacy system constraints.
- Provided ability to introduce new products and change existing products.
- Automated business rules at new business and renewals.
- Improved ease of doing business with customers and agents with less data entry.
- Enhanced support for personal lines products, including auto, property, inland marine, umbrella, and watercraft.

### **Benefits**

## **PAS transformation— National P&C insurer**

<b>Issues</b>	<p>The client was seeking business process and technology transformation—agency portal/interface, exception underwriting, policy administration, billing and collections, field premium audit, business intelligence, and claims. Goals included replacement of failing legacy systems and acquisition of new capabilities enabling increased growth through entry to new markets, decreased operating expenses, and increased customer retention.</p>
<b>Approach</b>	<p>PwC worked with the client to help in the following areas:</p> <ul style="list-style-type: none"><li>Defined key business strategies, capabilities to support strategies, and priorities in order to align business process and technology selection with strategies.</li><li>Designed multi-phase request for proposal process, including definition of high-level business requirements, vendor identification and management, evaluation and selection process, and supporting tools.</li><li>Elevated consequences of customized and manual processes and underwriting of the benefits of configurable package applications.</li><li>Facilitated recommendation and decision teams through vendor web demonstrations, reference calls, request for proposal response analysis, on-site finalist proof-of-concept sessions, evaluation sessions, and final selection.</li><li>Developed current-state process flows, leading practice process flows, gap analysis, opportunities to enhance business process, and identification of critical management decisions—full customer lifecycle, including billing and collections.</li></ul>
<b>Benefits</b>	<ul style="list-style-type: none"><li>Removed legacy system and architecture constraints.</li><li>Reduced/simplified business effort for IT changes.</li><li>Increased ability to incorporate new capabilities to improve speed to market.</li><li>Increased operational efficiencies and ease of doing business with customers and agents.</li></ul>

## **PAS transformation— Global P&C insurer**

### **Issues**

The client was seeking business process and technology transformation by replacing multiple systems, including policy, billing, claims, document generation, rating, address verification, and reinsurance. The project included creation of a data warehouse, enhanced reporting capabilities, rebranding of customer facing website, and implementation of automated testing. The goal was to implement personal lines, followed by commercial lines, focusing on the underlying business and technology issues.

### **Approach**

PwC worked with the client to help in the following areas:

- Provided project leadership related to the deliverables for policy, claims, billing, integration, testing, and conversion teams.
- Assisted in defining and documenting business requirements, process flows, and use cases for the solution.
- Assisted in configuration of the business rules and user interface for policy, billing, and claims applications.
- Developed conversion strategy, analysis, and mapping support for migrating renewal policies to the new solution.
- Created quality assurance framework and process, including automated testing.
- Implemented an integrated solution and removed dependency on multiple disparate systems.
- Automated business rules for new and renewal business.
- Implemented solutions that are compliant with the payment card industry.
- Reduced and simplified business and IT efforts to implement changes.
- Increased the ability to add new features and capabilities.

### **Benefits**

## PAS transformation— Regional P&C insurer

<b>Issues</b>	The client, a multi-line insurance carrier operating in Puerto Rico, was facing multiple challenges as it sought to establish itself as a growing and reliable insurance provider. As a result of multiple acquisitions, the business operations were siloed and, in most cases, run independently. Additionally, core processing platforms were on legacy applications that were unstable, posing a significant risk to the operations. The client engaged PwC to unify operations as well as replace the core processing legacy platform with a Guidewire® suite, including PolicyCenter®.
<b>Approach</b>	PwC worked with the client to help in the following areas: <ul style="list-style-type: none"><li>• Development of operational strategy, planning, and execution of the transformation program.</li><li>• Implementation of the Guidewire PolicyCenter®, ClaimCenter®, and BillingCenter® applications.</li><li>• Configuration of supporting initiatives, including the rating and publishing engines. PwC services and solutions were focused around the following key target areas:<ul style="list-style-type: none"><li>– Client/account management processes</li><li>– Product model definition and configuration</li><li>– Underwriting issues assignment and escalation process</li><li>– Configuration of market-specific products offered by the client</li><li>– Rating architecture and configuration</li><li>– Configuration of complex processes such as premium override and manuscript endorsements</li><li>– Forms processing and document management services</li></ul></li></ul>
<b>Benefits</b>	<ul style="list-style-type: none"><li>• Consolidated multiple underwriting systems to a single platform</li><li>• Provided a consistent underwriting process through business reengineering and standardization, using ISO manuals</li><li>• Reduced/simplified business effort for IT changes</li><li>• Developed a common rating platform for the core processing system and interfacing applications</li><li>• Enabled real-time processing of policies and endorsements</li><li>• Automated policy renewal processing—initiation, communications, and underwriting</li><li>• Reduced time to implement rate changes and forms</li></ul>

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***To have a deeper conversation,  
please contact:***

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"Eyes on the prize: Implementing fast, flexible policy administration systems in the P&C insurance sector," PwC FS Viewpoint, April 2013. [www.pwc.com/fsi](http://www.pwc.com/fsi)

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