Introduction
Outsourcing has evolved to become a key component of strategy of insurance companies globally. Insurers have started viewing outsourcing more as a way to increase the value of their businesses, rather than just cost reductions and are seeking tangible results from both IT investments and improved business processes. Firms are moving toward the integration of business and technology and assessing IT’s value not only in reducing costs but also in enabling productivity and innovation. In this context it has been observed that IT delivers business value and assists in transforming business processes.

Cognizant approach to deliver significant ITO-BPO alignment benefits
Analytics, rules engine, business process management (BPM), document management solutions and other IT tools facilitate smooth and efficient transfer as well as effective monitoring of business processes outsourced. Insurance companies can leverage these tools to outsource most of the activities performed across the entire value chain.

Considering the example of Claims department which is heavily process oriented and most of its functions can be outsourced. BPM implementation in Claims Notification function can help in automating coverage verification, profiling and classifying claims for better management and online claim intimation. Usage of predictive analytics tools can help improve fraud detection and Claims handling expenses. Imaging, content management and work management solutions enhance quality and turnaround time of Claims filing and processing resulting in more customer satisfaction.

Cognizant’s approach to deliver solutions that leverage ITO-BPO synergy across the value of the chain of P&C insurers is partially depicted on the following page (See Figure 1 on page 2) - the figure also delineates the traceability to key P&L metrics that are impacted by these solutions.

Cognizant’s Implementation approach for synergy extraction
Cognizant’s approach to integrated service delivery and synergy extraction across ITO and BPO covers the front-office, mid-office and back-office and makes impact in areas of revenue generation, cost reduction and customer satisfaction. The picture on page 3 (Figure 2) and the subsequent synopsis give an overview of the components of Cognizant’s implementation approach to extract synergy of ITO and BPO.
Cognizant sets up Innovation centers’ to foster innovation to leverage ITO-BPO synergies and developing and implementing the optimization & transformation portions of the synergy extraction roadmap. Cognizant also sets up development Centers of Excellence (COEs) for key process areas which assists in improving the improving the efficacy of service delivery and reducing the cost of operations. These CoEs develop assets based on Industry expertise and best practices, create blue prints of business processes, identify points of optimization, and institutionalize best practices and create knowledge assets to improve productivity and on boarding time for new associates.

Bringing about excellence in process is Cognizant’s integrated service delivery center model which is aligned to client’s Lines of Business and to ensure end-to-end services delivery for a range of client service requests. The integrated service delivery model leverages synergy in servicing multiple request types, viz., Customer issues, and requests for Enhancements and Major programs. Cognizant leverages Cognizant 2.0, an intelligent process orchestration-
tion and collaboration platform to extract syner-
gy benefits based on integrated planning, work
orchestration, real time task guidance and social
collaboration features. Cognizant also uses
Vulnerability Methodology, PRIME® Methodology
and ITEM® framework to perform Business
process blue-printing, re-engineering and
improvement and to evaluate system efficacy at
a high-level.

Cognizant employs multiple systems implementa-
tion approaches such as, Straight-Through-
Processing, Unified interface development,
development of Analytics, and BPM implementa-
tion to fully extract ITO-BPO synergies. Straight-
Through-Processing enables faster fulfillment of
customer requests by eliminating redundant
steps. In terms of a BPM implementation strategy,
Cognizant’s recommends that client’s outsource
their as-is business processes and progressively
implement BPM in parallel with outsourcing.

Value delivered through ITO-BPO
synergy

Cognizant has executed a BPO implementation
for the Policy Administration systems of the Auto
and Home lines of business for a large life
and P&C Insurer in the US.

The Need

To identify process improvements and system
deficiencies

Cognizant’s Solution

- Assessment to identify the scope of off-shoring
- Detailed documentation of the processes and
  SOPs and identification of opportunities for
  redesigning the processes
- Implementation of a BPM based workflow
  system

The Benefits

- Enhanced process efficiency
- Reduced FTE requirements

Cognizant effectively integrated its BPM capabili-
ties and BPO delivery expertise to deliver close to
66% potential savings in operations cost. The
sequential break-up of cost benefit achieved
through the various stages of implementation is
being depicted in the figure below.
A Brief Listing of ITO - BPO Alignment Engagements

- Integration of Cognizant’s BPM capabilities and BPO expertise to deliver close to 66% potential saving in operational costs
  - ~30% cost saving resulting from standardization
  - ~30% cost saving resulting from right-shoring
  - ~15% cost saving resulting from business transformation

- Reduced cost of operations by over 45%
  - Reduced TAT by 30% and volume of pending work by 15% through Workflow Management tool implementation
  - Workflow management tool incorporated bar-coding of claim forms and automated claim routing

- Reduced cost of operations by over 55%
  - Doubled the process capacity by eliminating redundant activities like double data entry and enabling Straight through processing

- Reductions in cost per file by 40% for credentialing
  - Additional recovery value of $3.7 Million due to reduction in case threshold for subrogation

- Reduction in Cycle Time by 33%
  - Faster TAT for aberrant billing patterns and saving $2 million annually

- Accuracy up from 95% to 99%
  - Productivity up 15% year on year, quality up from 96.7% to 99.6%

- Executing Policy Administration processes like Premium Calculation, Policy Cancellation and Endorsement etc. for Auto and Home LOBs for a leading US based P&I Insurer.

- Processing pharmacy benefit claims of Workers’ Compensation and Commercial Claims for a leading Pharmacy Benefits management Company with more than 50 million customers

- Data validation and capture from Provider Credentialing forms for a subsidiary of largest single health carrier serving 70 million customers

- Data Management, Analytics, Knowledge Services, Transaction Processing for a Health insurance major

- Processing pharmacy benefit claims of Workers’ Compensation and Commercial Claims for a leading Pharmacy Benefits management Company with more than 50 million customers

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting and business process outsourcing services. Cognizant’s single-minded passion is to dedicate our global technology and innovation know-how, our industry expertise and worldwide resources to working together with clients to make their businesses stronger. With over 50 global delivery centers and 64,100 employees as of June 30, 2009, we combine a unique onsite/offshore delivery model infused by a distinct culture of customer satisfaction. A member of the NASDAQ-100 Index and S&P 500 Index, Cognizant is a Forbes Global 2000 company and a member of the Fortune 1000 and is ranked among the top information technology companies in BusinessWeek’s Hot Growth and Top 50 Performers listings.

Start Today

For more information on how to drive your business results with Cognizant, contact us at inquiry@cognizant.com or visit our website at www.cognizant.com.