Life and Annuity Insurance Transformation through End-to-End Business Processing

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Executive Overview

Life and Annuity insurers are faced with a growing portfolio of legacy core applications segmented by business line and tied together through a complex network of systems interfaces running on multiple platforms. This dependence on outdated systems leads to high costs for infrastructure, operations, maintenance, support, and build activities. Maintaining older systems also forces carriers to employ a large workforce with very diverse skill sets or rely on expensive third party service providers.

However, carriers are driven by the need to support ever changing business requirements and to enable their business to enter new markets and launch new products. For many, adding additional IT cost and complexity is not an option. End-to-end business processing, offered via Oracle’s software and Cognizant’s Life and Annuity BPaaS platform, offers carriers the opportunity to reduce costs while improving efficiency and customer service. This solution employs best-in-class Life and Annuity business processes, supported by modern technology across the value chain, from new business to policy administration and claims services. By leveraging an end-to-end business processing solution, carriers can reduce the total cost of ownership while changing to a predictive pricing model with no compromise on quality.

Life and Annuity Insurers’ needs

Business Needs

Today, Life and Annuity insurers are challenged with business issues around the need for cost optimization, changing consumer demographics, low interest-rate regime, regulatory pressures and changing investment patterns of the customers. According to the Ernst and Young 2013 Research Report, household expenditure for spending on life insurance products has declined to 50% over the decade, especially among young customers. Customers’ disposable income has reduced considerably, and they are now using their resources for other short-term priorities. In this environment, life insurance carriers are facing major challenges to managing sustenance and growth as the change in consumer habits has led to reduced volumes in premium incomes generated.

As previously mentioned, the following factors are significantly influencing the life insurance business:

- Volatile market
- Low interest regime
- Regulatory pressures
- Changing customer demographics
- Changing customer investment patterns

Macroeconomic pressures are impacting the profitability of the insurance company. A multitude of factors such as instability, unemployment and fluctuating yields on investments have a significant bearing on the insurer. The global economy is on the way to recovery, but investors have become more risk averse and prefer traditional life insurance products with guaranteed returns instead of risk intensive market linked products. The investment income earned by the insurer on the surplus invested across different forms of investment vehicles has shrunk due to the low-interest regime.
In addition, financial services providers, especially insurance companies worldwide, face stringent regulatory controls. Solvency requirements are mandated globally, and compliance reporting plays a major part in deciding an insurer's stability and credibility.

**IT Challenges**

- **Flexibility**: Legacy systems are notorious for their inflexibility. Even small changes can take days to be built, tested, and moved to the end user system. New regulatory changes typically take months, and in some cases years, to be implemented in many legacy systems.

- **Real Time Processing**: Real time processing is turning out to be the norm for doing business as a result of consumer expectations being shaped by other industries that heavily leverage the use of smartphones, tablets and computers, all of which are virtually ingrained in today's society.

- **Consolidation of Platforms**: Insurers have many policy administration systems in their enterprise as the result of mergers and/or acquisitions, which has led to multiple platforms existing for the same line of business or very similar products. As a result, duplication of rules and the existence of similar data on multiple systems has become commonplace. In addition, maintaining and upgrading several systems as well as retaining and/or acquiring talent to manage the aging technology have been cost prohibitive in many cases.

In light of the changing business needs and the challenges in managing current IT systems, insurers need to adopt the right strategy and approach to stay relevant.

**Market Needs**

Insurers need to establish a competitive edge to attract and retain their customers. But how can they offer innovative products, market them quickly and provide superior customer experience without impacting the focus and agility in managing the core business? Would they be able to provide personalized services, need-based bundling of products, and web-based self-service portals to meet customized needs of customers?

In addition to market-driven concerns, reducing operations costs has become one of the key imperatives for insurers, allowing them to reinvest in the business to drive growth. How would they manage the existing platforms to provide the scale and reduce the operational cost?

Oracle Insurance Policy Administration, coupled with Cognizant's Life and Annuity Business Process as a Service (BPaaS) offering, can provide the scale and flexibility to support the new business of the Insurers while keeping costs down. This solution leverages the best-in-class platform from Oracle and domain-led expansive business process services from Cognizant to help the Life and Annuity insurers transform and achieve their strategic business objectives.

**How End-to-End Business Processing Enables Life and Annuity Insurers to Streamline Their Operations**

There is a constant need for speed to market in new product introduction while maintaining consistency and quality in customer service as well. The primary focus is to provide reduced total cost of ownership, reduction in IT infrastructure costs to the insurer and also offering standardized, efficient and optimized processes. Transferring end-to-end business processing services frees up the time of the insurers' internal resources to focus on business growth. Use of predictive analytics also enables insurers to transform their business in the areas of churn prediction, segmentation of customers/agents, profitability improvement, and actuarial valuation provides strong competitive advantages. In addition to those benefits, there is strong focus on producer and end-customer satisfaction that needs to be achieved through process re-imagination and adoption of technology.
The Insurance Business Lifecycle

Business processing services can be utilized across all life insurance lines of business encompassing annuities, retail life, group life, employee benefits, retirements, pensions and reinsurance. This solution supports the complete lifecycle of the insurance business shown in Figure 1, reflecting how insurers typically view their business.

Oracle’s adaptive, rules-based policy administration system provides full record keeping and support for all policy lifecycle transactions. The rules driven engine enables system flexibility in achieving faster time to market, ease of maintenance and upgrades and ease of integration. The service-oriented architecture provides enhanced capabilities for real-time business processing and integrated business process management (BPM) to help achieve business process automation.

The solution enables insurers to provide real-time policy servicing for customers and sales channels throughout the policy lifecycle for increased retention and loyalty. It also helps insurers reduce risk and support compliance, while better managing the business to optimize performance. The system can be configured to leverage components sourced from best-in-class technology vendors including other Oracle solutions such as:

» Integrated workflow management partnering with Oracle BPM
» Integrated Document Management System from Oracle Documaker
» Best-in-class Content Management System from Oracle
» Enterprise level application integration with ESB and Middleware

The platform can be easily configured to interact with and insurer’s IT landscape and other third-party administrators to ensure seamless end-to-end business executions for the insurer. Figure 2 below depicts the conceptual architecture of the BPaaS platform:
Risk in Migration

Insurance carriers are always concerned about the risks that may be involved in ensuring the accurate movement of data to the modern system. The solution leverages Cognizant’s policy conversion framework enriched with experience from past conversions that helps minimize the risk of conversion, optimize the cost of conversion and achieve completion within an optimal timeframe. Cognizant had leveraged the framework consistently since 2008 in several large policy admin consolidations.

Standardized Process

As part of the end-to-end services offering, Cognizant helps insurers contractually measure and achieve positive movement on key metrics to transform their business. Cognizant exceeds the contractual obligations for key service level agreements such as average handling time, customer satisfaction metrics while lowering the operation costs.

Option to Move from CAPEX to OPEX model

Cognizant’s BPaaS platform is designed to provide multiple commercial options to convert fixed costs into a variable cost basis, such as payment on per policy basis with service-level agreements based on agreed outcomes.

Key Business Values Delivered through Oracle and Cognizant Solution

Oracle Insurance Policy Administration for Life and Annuity offer key benefits such as:

» Configurability that reduces time to market for new products, in some cases implementing product changes as fast as 4 weeks
» Automated underwriting with Oracle’s New Business/Underwriting application
» Standards-based integration to leverage an insurer’s System of Engagement (SOE) systems if required
» Focus on the benefits of transformation and empowers employees to serve customers and advisors more effectively
Cognizant and Oracle end-to-end processing solution brings best-in-class service for our global Life and Annuity insurers:

» Cognizant’s Insurance Product Professional Service(iPPS) which specializes in implementing COTS products for Life, Annuity, Retirements business
» Joint solution workshop to develop best-fit solution for the customer
» Proven set of toolkits for implementation, upgrades, new product rollouts, enhancement, maintenance and testing.
» Strong training and enablement program with availability of active SME support pool for rapid competence development
» Deep expertise on system integration capabilities with enterprise technology products like ECM, BPM, Document Management System, Scanning and imaging system, ESB etc.

Conclusion
Cognizant’s Life and Annuity BPaaS platform provides greater agility, enhanced capabilities while streamlining processes. Modern technology from Oracle provides a rules-driven engine that enables system flexibility in achieving faster time to market, ease of maintenance and upgrades and ease of integration. This solution supports carriers to significantly increase straight through processing of new-business policy issuance. The platform is built on a service-oriented architecture to provide enhanced capabilities in real-time business processing. With an integrated BPM solution, the operational issues are addressed with ease and business process automation has become simpler. This solution considerably reduces the technology footprint and the resulting infrastructure costs spent by the insurers while creating a seamless transition to a modern technology platform to support an agile business environment. Without major CAPEX spending, insurers will now be able to bring in the much needed modern technology in order to stay relevant for the future.

The combination of Cognizant services and Oracle software offers next generation TPA capabilities with integrated Business operations, platform and conversion specialists, and a modern technology platform with solution accelerators that would make businesses run-better. The solution also provides access to Cognizant’s rich offering on social, mobile, analytics and cloud (SMAC) technologies that help businesses run-different by enabling major business transformations.
About Oracle Insurance

Oracle provides the modern, rules-driven flexibility insurers need to transform the way they do business. With Oracle’s comprehensive set of solutions, insurance companies can innovate to keep pace with changing demands, simplify their IT environments and transform the business into an agile, cost-effective enterprise.

For more information on Oracle Insurance, please visit oracle.com/insurance. You may contact us by e-mail at insurance_ww@oracle.com or call 1.800.735.6620 to speak to an Oracle Insurance representative.

About Cognizant

Cognizant (NASDAQ: CTSH) is a leading provider of information technology, consulting, and business process outsourcing services, dedicated to helping the world’s leading companies build stronger businesses. Headquartered in Teaneck, New Jersey (U.S.), Cognizant combines a passion for client satisfaction, technology innovation, deep industry and business process expertise, and a global, collaborative workforce that embodies the future of work. With over 50 delivery centers worldwide and approximately 166,400 employees as of September 30, 2013, Cognizant is a member of the NASDAQ-100, the S&P 500, the Forbes Global 2000, and the Fortune 500 and is ranked among the top performing and fastest growing companies in the world. Visit us online at www.cognizant.com or follow us on Twitter: Cognizant.