



STRATEGY MEETS ACTION

Blueprint for Success

Core System Decisions

*Featuring as an example:
CGI's Insurance Fusion360*

An SMA Perspective

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*This perspective is based on SMA's ongoing
research on core system capabilities in insurance.
CGI has purchased distribution rights.*



About This Perspective

This SMA Perspective is a summary of SMA's ongoing research on core systems, governance best practices, IT business drivers and decision influencers, and SOA architecture in insurance.

CGI has purchased distribution rights for summary results of selected research and opinion. This is not paid-for research.

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Core System Decisions

Hundreds of core system implementations take place every year in the insurance industry. Even with this wide pool of experience, many implementations face major challenges, or worse yet, they fail. SMA has observed that in most troublesome situations, a significant gap exists between the capabilities that insurers expect to gain and what insurers are actually able to fully implement and move into a production environment. To better understand the root causes and find a blueprint for success, SMA looked deeper, investigating several key areas: the implementation approach, the project resources, and the software.

The Implementation Approach

The primary elements that contribute to the success of core system implementations include an architectural framework, a project management discipline, implementation methodologies, quality assurance processes, and effective change management procedures. Organizations that do not invest enough effort in and place enough emphasis on these critical capabilities and processes find implementations of even the best technology to be extremely challenging.

The Project Resources

It is a challenge for most insurance companies to assemble the number and level of skilled resources that are required to handle core system implementations. These implementations require technical architects, business analysts, quality control analysts, and experienced project managers. It is extremely important to include business resource during the development and deployment of the project; however, these are high demand resources that are often not available. Project success requires involvement and full commitment of both business and IT interests.

The Software

Fortunately, today there are many choices available in the marketplace for core system solutions that offer a wide variety in depth and breadth of capabilities. Over the course of the past two years, the component-based enterprise suite approach has been the choice in a significant number of selection decisions. A component-based enterprise suite offers core components that can be implemented as stand-alone core applications or as pre-integrated components that achieve a suite solution. The emergence of these solutions has opened up new opportunities for core system replacement projects. They provide the flexibility to implement one or two core components at a time, with pre-integration that will enable them to integrate other companion components when the time is right. These component-based enterprise suites are viewed as providing the best of both worlds – delivering offerings with a best-of-breed component feel coupled with the pre-integrated features of enterprise solutions.

Blueprint for Success

Closing the gap between the intended system capabilities and the resulting functionality of the actual implementation requires improving the selection process and optimizing the

While hundreds of core systems are implemented each year, many fall short of expectations. SMA has explored the key areas of implementation approach, project resources, and software to determine the blueprint for success.



implementation approach. Both aspects of a core system project are equally important. Insurers put tremendous effort into the software selection process. It is often complex and lengthy, and phases typically include a rigorous RFP phase, a comprehensive proof of concept, and extensive contract negotiations. This same level of due diligence needs to be applied to implementation resources and processes to ensure that the implementation and rollout of the solution will be successful. An optimal implementation approach should be holistic – an integrated view and action plan for people, processes, and technology – all equally weighted.

Business Capabilities

Recent SMA research shows that these top business drivers are currently triggering insurers to pursue changes and make significant investments in core systems: achieving growth, optimizing the business, reducing expenses, responding to competitive pressures, and improving customer service.

As depicted in Figure 1, insurers need to consider their distinct characteristics and try to find the solution that best meets their unique needs. This requires a thorough and thoughtful evaluation of the real needs of the business – a clear definition of what specific capabilities are required to achieve current objectives and what it will take to capitalize on new opportunities.

Figure 1. Business Drivers and Capabilities



Source: Strategy Meets Action 2013

A strategic view is foundational to making wise investments. Envisioning the future state of the business improves an insurer's ability to define requirements and map them out in meaningful terms. When evaluating solutions, insurers should be looking for options that enable real business transformation. An agile, modern system optimizes processes and improves decision-making. Processes are automated wherever possible. Robust and rich information and insights are delivered to those making important decisions including underwriters, claims personnel, and customer service representatives. Rules are memorialized for consistent application. Flexibility is provided so that function and features can be implemented as needed by the business.



Ensuring that core systems projects are successful requires an understanding of the fact that the selection and implementation phases of the project are of equal importance. Both demand thorough and dedicated attention and effort.

Solution implementation is one thing. Maintenance is another! It is important to look at the total picture to determine if the offerings under consideration have the flexibility that is necessary to handle coverages, rates, rules, forms, etc. The goal should be fast and efficient deployment of capabilities that can be maintained by business resources when and where appropriate.

Technology Capabilities

Achieving successful core systems projects requires a considered balance between the effort that goes into software selection and the investment in the implementation process. Today, significant effort is typically devoted to selecting the solution, and this is a most appropriate use of resource. However, the same careful diligence needs to be applied to the implementation phase of the project. A realistic and detailed evaluation of implementation requirements must be made in order to ensure a successful project.

Software

The trend in the industry today is to capitalize on the advantages of a component-based enterprise suite. These suite solutions have core capabilities that can either be implemented in a standalone manner or be delivered pre-integrated.

The component-based enterprise suite approach offers several advantages:

- There is an option to have the components delivered pre-integrated. This pre-integration provides a high degree of functionality that includes all the “bells and whistles” provided by a best-of-breed solution.
- There is only one vendor relationship to manage.
- The ability to implement the core components all at once or in any chosen order gives insurers the ultimate in flexibility. The priority for implementation of specific features and functions can be determined based on the specific needs of the business. This flexibility provides an insurer with a core system roadmap that manages the risk of future implementations – and a guarantee that the components will work together.
- Because of the integrated nature of the solution and the need to interface with only one solution provider, the entire implementation can be accomplished using a holistic approach. This is translating into greater opportunities for success for a number of insurers.

Implementation

Insurers need to assess their implementation readiness – their ability to support the implementation of a new solution. Business and technical resources must be available and willing to take ownership in making the project successful. This can be challenging because of the competing pull for the best resources, whose skills are needed in the vast number of implementation projects as well as the day-to-day running of the business.

A project management discipline is mandatory – one that gives transparency to the project by managing its risk and success. Experienced project managers are key



resources. The knowledge of those that have experience with a number of software implementations is critical. Another crucial area for most insurers is the staffing of implementation projects. Key business analyst resources that have expertise in quality assurance and testing methodologies are needed.

An examination of the total effort involved in a core system implementation shows that approximately 30% of the time expended involves the actual core system software. The remaining 70% of the effort is spent developing requirements, dealing with systems integration, managing the data, and testing and deploying the system.

CGI Insurance Fusion360

Company Overview

CGI, a global end-to-end IT service and solution provider, is the world's largest independent IT and business process services company. With over 70,000 professionals located in 40 countries, CGI offers a full spectrum of services, solutions, and industry know-how to accelerate their clients' business transformations.

CGI has been deeply entrenched in the insurance industry for decades, providing software, systems integration, and outsourcing services. With more than 160 insurance clients worldwide, CGI is an IT provider for 6 of the top 10 global property and casualty and life insurers.

Breadth of Functionality

Depicted in Figure 2, Insurance Fusion360 is an end-to-end, fully integrated and scalable suite of insurance processing applications that handle core insurance functions for mid to large size insurers, including policy administration (Adaptik PolicyWriter), rating (CGI Ratabase), claims administration (FINEOS Claims), and billing (Majesco STG Billing). By seamlessly integrating modern, innovative solutions, Insurance Fusion360 empowers insurers to address complex system challenges by streamlining operations and reducing costs. Insurers are able to bring products to market more quickly and, in many situations, gain market leverage.

Figure 2. Insurance Fusion360



Source: CGI 2013



CGI's Insurance

Fusion360 is a complete, robust, fully integrated, and scalable suite of insurance solutions. Fusion360 combined with CGI's expertise in implementation and technology maintenance provides a compelling offering.

CGI offers insurers a unique combination of strengths. The company is an expert at implementation and technology maintenance, and has exceptional understanding and experience in insurance, software development, and systems integration. The rich complement of offerings and skills, combined with their ISO9001 certification and recognition for CMM Level 5 quality systems, positions CGI well – enabling them to deliver core system success with a best-of-breed solution mix and world class systems integration and outsourcing capabilities. CGI delivers the advantages of a component-based enterprise suite and augments that flexibility and function with implementation, content, and hosting services as well as insurance expertise.

CGI offers a holistic approach to core system implementation. A comprehensive portfolio of IP-based software solutions and services demonstrates know-how in consulting and business analysis, program and project management, technical architecture, sourcing, testing, and implementation and maintenance – all of the disciplines and capabilities that work together to make an implementation successful.



The industry is rapidly progressing in the sophistication of how they approach core system decisions and implementations. The blueprint for success can help insurers make wiser choices and investments.

Strategy Meets Action Commentary

The path to success for making core system decisions is becoming increasingly clear. Solution offerings are maturing and the industry is learning more about what improves system selections and implementation processes.

One overarching fundamental stands out! Insurers must change how core systems are selected and the way they are implemented. It's time for new thinking. The selection process must start with a strategic view. The specific end-game solution should deliver real transformation for both IT and the business. Frequently, insurers find out too late that it was not enough to just replace existing function and add a few new features. Investments must work for the organization – modernizing and optimizing the way business is done, creating an environment for customer service excellence, and enabling innovation.

Before making any investments, insurers should take a holistic, integrated view of how the people, processes, and technology can work together to deliver transformational value. An architectural roadmap and keen understanding of how the components will integrate with each other and within the enterprise is critical. Insurers should be giving strong consideration to component-based enterprise suite solutions – not only because of the integrated function that is provided, but also because of the flexibility they offer. Insurers are able to make one selection decision and then pace the implementation based on the needs and priorities of the business and the readiness of the company.

Core systems implementations are some of the most significant projects undertaken by insurers. The technology is one critical success factor. The people and processes are the other two. The availability of the right business and technical skill sets, a sound project management discipline, and a consistent change management process are all required to make the project a success.

Time for change! The blueprint for success lays out the path. Take a strategic, integrated view of the business requirements. Select a solution that will position the company for success in the market today, as well as in the future. Then, deploy the right people and processes. Using this blueprint for success, insurers can deliver real business benefits that support today's operations as well as the evolution to tomorrow's vision.



About Strategy Meets Action

Exclusively serving the insurance industry, Strategy Meets Action (SMA) blends unbiased research findings with expertise and experience to deliver business and technology insights, research, and advice to insurers and IT solution providers. By leveraging best practices from both the management consulting and research advisory disciplines, SMA's



services are actionable, business-driven, and research-based – where strategy meets action – enabling companies to achieve business success.

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Additional information on SMA can be found at www.strategymeetsaction.com.

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