Low Risk Implementation

Part of the Insurance series:
Benefits of a New Policy
Administration System: Why Going Live is Not Enough
Abstract
Insurance carriers are well versed in the risks associated with core systems transformations but many have reached the limits of their aging policy administration systems. Achieving a successful transformation requires proper planning and following proven methodologies with a vendor that has a track record of success. Deloitte has a record of accomplishment delivering large, complex core systems transformations, including one of the world’s largest claims implementations and other significant policy and billing engagements. Deloitte’s delivery capabilities are strengthened by an adherence to core delivery fundamentals, skilled and experienced resources, and demonstrated delivery accelerators.

This paper will focus on keys to de-risking core system implementations in general and specifically how a carrier can best prepare and successfully execute a policy administration implementation.

Challenge
The era of mainframe policy administration systems is ending. While these systems served as a typical P&C insurance carrier’s core systems backbone for several decades, carriers seek new technologies to better support advanced and differentiating capabilities such as rapid product development and mobile applications. Although there are tangible benefits to modernizing core policy systems, such as improved security, merger and acquisition simplification, and lower maintenance costs, the associated high-risk factors are significant deterrents. Several costly and highly visible failures with significant write-offs have made headlines in the marketplace. These failures are not isolated incidents. According to a 3Q13 Gartner survey of IT managers from 44 U.S. life and P&C insurers, only 43% of the respondents’ legacy modernization projects stayed within the predefined budget, and only 18% finished on time. Given that core system replacements can take several years to implement with price tags often exceeding $50 million, any delays or misfires can prove very costly.

Deloitte has delivered a large share of policy administration transformations throughout the insurance industry and understands the delivery problems carriers often encounter as well as practical mitigations.

Start with the End in Mind
Carriers are often very eager to begin their policy administration replacement programs. With the best intentions, they typically approach the implementation aggressively whether working with a system integrator or not. The process might start by quickly selecting a vendor, then ramping up the team, and executing kickoff meetings. While the ambition is admirable, without making the time to plan with the end in mind, you may risk rushing into poor decisions that eliminate some of the value provided by a core system replacement. For example:

• One of the best ways to start your project is to first take stock of the current enterprise application landscape and consolidate and simplify ahead of the implementation. This can reduce your technical debt and simplify the “As-is” environment. This in turn will simplify and reduce your overall effort and the risk for specific project activities such as data conversion.

• While the IT department focuses on the elimination of technical debt, the business can take steps to prepare as well. The implementation of a new policy administration system is an excellent opportunity to rationalize products and streamline business processes. The business is a key to driving the value of a legacy transformation. Simply executing your existing business processes on new systems provides little gain.

• Enterprise architecture standards should be defined and reinforced along with the implementation. If, for example, you are moving to an event driven architecture or enterprise service bus architecture, the software package selected and implemented should support this direction. Violation of this rule can lead to a complex technology system and create technical debt.

• Finally, it is important to spend time thinking through your data and reporting strategies. Too often carriers leave data – a very strategic asset – as an afterthought. This behavior limits the value that can be derived from a policy transformation, specifically reducing the effectiveness and value of data analytics programs.

Avoiding Common Mistakes
Deloitte understands the complexity of these implementations and their inherent risks. On the surface, reasons for project failures seem to be individual to each client. However, when examined more closely, most project
failures occur because fundamental delivery practices have not been established, communicated, and rigorously adhered to by all team members.

A successful project necessitates the ability to implement and consistently follow a proven and disciplined delivery approach. Deloitte's experiences, research, and evaluations have revealed five common mistakes that can get in the way of a successful implementation.

1. Poor Effort Estimation
   • A lack of the right, fact-based inputs along with a broad and established estimation tool contributes significantly to accuracy issues in the initial estimation.
   • A recent study by Gartner identified internal resource estimation inexperience as one of the root causes for poorly executed implementations.

2. Weak and Reactive Project Management
   • Improper scope planning and a lack of alignment at the stakeholder level can result in increased scope and risk as the team generates new ideas throughout the duration of the project.
   • A reactive or passive Project Management Office (PMO) can often lack a focus on achieving the end results or fail to align itself with the project objectives and business case.

3. Limited Business and IT integration
   • Large IT projects often revert to an IT lift and shift mentality in which technology drives the implementation, robbing an organization of the maximum value of business case benefits.
   • A lack of business stakeholder oversight and direction often allows a project team to fall back on ‘bad habits’ and design a new system to mock legacy processes during a project crunch.

4. Ineffective Testing
   • Insufficient and non-automated unit testing puts too big a burden on system testing late in the system lifecycle.
   • Perceived flexibility in testing timeline and duration reduces coverage.
   • Minimal code review allows for poor coding practices to go unnoticed.
   • Insufficient integration testing or excluding end users from the testing process can make testing ineffective.

5. A lack of Outside Perspective
   • Lack of an unbiased perspective means that opportunities to steer the project away from foreseeable challenges and shortcomings may be missed.
   • Tendency for group think to drive project behavior

**Deloitte Delivery Methods and Tools**
Throughout all deliveries, Deloitte collects project data points and practitioner observations in order to refresh delivery methods and tools. This feedback is critical to Deloitte's continued ability to deliver large, complex engagements. This delivery feedback loop, combined with insurance industry experience has contributed to a set of key learnings that guide implementation thoughts and practices.

Deloitte has leveraged a number of accelerators — defined processes and tools — on scores of projects to help you avoid the common mistakes mentioned in the previous section.
**Accelerator**

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<th><strong>Differentiators</strong></th>
<th><strong>Effort Estimation</strong></th>
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<tr>
<td>Project Estimator and Planning Suite (PE &amp; PS)</td>
<td>The PE&amp;PS application supports the scoping, estimating, and planning of technology projects based on metrics from past Deloitte projects. PE&amp;PS drives consistent estimation of costs, effort, and resources across all phases of the project including project management, organizational change management, training, development, and technology.</td>
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<td>Enterprise Value Delivery (EVD) for System Integration</td>
<td>EVD is Deloitte’s validated, scalable approach to technology implementations that has been utilized by hundreds of projects. It provides a set of systematic, repeatable tasks with supporting tools, templates, samples, and leading practices that increase project visibility, drive efficiency, and lower the cost of delivering quality solutions.</td>
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**Program Management**

| **Results Management Office (RMO)**                                              | The RMO provides a means to implement an active results-oriented program management capability as opposed to a reactive clerical function. An RMO has clear and strong executive management support, understands the organization’s top objectives, and aligns the program’s actions accordingly. Traditionally, a PMO serves as a reactive output-driven function focused on time and budget. RMO serves as a more effective tool towards managing traditional PMO activities, including risk, schedule, cost, and scope — all while adding a dynamic extension focused on maintaining the project’s core guiding principles and broader organizational strategy. |
| Project Management Center (PMC)                                                   | PMC is a Deloitte hosted toolset based on HP’s Portfolio and Project Management (PPM) applications. It provides centralized project and time management for the RMO and accelerates project start-up through pre-defined project templates and modifiable work plans created through MS Project. The tool provides dashboards for quick data entry and workflow-driven project controls (e.g., issues, risks, change, action items) to drive standard PM processes, automated email notifications, and earned value management and reporting. Deloitte practitioners, clients, and third party project participants can access the tool. Clients have the option to purchase the tool post project. |

**Business and IT Integration**

| **Business Process Health Check**                                                | Projects utilize this composite deliverable to clarify processing gaps and issues, crystallize pain points, and establish a foundation for future state visioning. |
| **Claims Business Architecture**                                                 | The tool depicts a functional view of an organization. It provides a model of insurance specific capabilities and sub-capabilities that can help align business and IT to improve execution and enable effective decision making for large-scale transformations. |

**Testing**

| **Agile Application Lifecycle Management Tool Suite**                             | Deloitte provides custom support for a number of discounted and open source test management and execution tools that Deloitte can host. A sampling of these tools includes JAMA for test case management, Jira for traceability, and Bamboo to enable continuous integration. |
| **Testing framework**                                                             | Deloitte believes that quality is built-in not tested-in, so the Deloitte testing framework incorporates testing in all phases of the software development life cycle. Leading independent research firms have rated Deloitte as the leader in end-to-end risk management, including testing and quality assurance services. Deloitte test managers are seniors able to manage all activities and the service delivery for multiple test levels and test types on large-scale projects. |

**Engagement QA**

| **Engagement Review Program**                                                     | All of Deloitte’s major delivery engagements utilize the Engagement Review Program. As Deloitte has a stake in your success, the Engagement Review Program executes an unbiased delivery assessment along with improvement recommendations on a frequent basis (typically quarterly). This review: |
|                                                                                  | • Provides a second set of eyes to assess and advise Deloitte’s largest and most complex engagements. |
|                                                                                  | • Leverages experienced delivery principals and directors to assist on engagements that would best benefit from their experience. |
|                                                                                  | • Improves the transparency of the health of Deloitte engagements to provide more timely support. |
Meeting the Challenge

Delivery methods and tools are only part of the solution. When delivering initiatives as complex as a core system transformation, experience matters. Simply put, complex transformations do not happen using solely a team of legacy resources. In addition to adopting the abovementioned leading practices, Deloitte believes that collaborating with an experienced system integrator is one of the implicit key factors. Such partners build momentum behind the implementation and instill confidence with the steering committee. As the case studies below highlight, Deloitte successfully implemented some of the most complex, large-scale IT projects across various industries and application platforms. Many of the lessons learned through these projects are captured in Deloitte’s Legacy Modernization Guidebook, an accelerator comprehensively covering the previously highlighted components. The guidebook outlines activities for dealing with the challenges of modernizing and integrating large scale, complex, and mission-critical custom-built legacy systems. The information provided serves as an exhaustive mapping of the appropriate processes and deliverables needed to modernize or retire a legacy system. It also addresses the constraints currently placed on the business, including managing how other systems will be affected by the changes implemented. Deloitte’s tools, accelerators, and experienced resources leveraged together deliver amazing results and can enable you to move forward with confidence.

- Large international insurance company – The world’s largest claims implementation
  - Issue. The client initiated a global claims technology platform transformation program to improve and standardize global claims processes. The new platform would replace multiple diverse systems and processes that were delivering an inconsistent user experience and causing high operational costs.
  - Solution.
    - Project Management: Program oversight and guidance from Deloitte included PMO support and serving as program advisors.
    - Business Analysis: Analysts captured, managed, and prioritized requirements from business subject matter experts.
    - Application Integration Development: The project team designed and developed integrations between the core systems platform and internal and third party applications.
    - Maintenance and Support: Deloitte provided maintenance and support for application integrations for defect resolution.
  - Impact. As of the end of June 2014, 14 countries deployed the new platform with realized benefits in excess of $300m and support for more than 50 percent of the insurer’s claims. By the end of 2014, the platform will support 21 countries.
  - Deloitte Accelerators leveraged.
    - Enterprise Value Delivery (EVD) for System Integration
    - Project Management Center (PMC)
    - Engagement Review Program

- National workplace insurance organization – Guidewire Suite Implementation
  - Issue. The client had a complex combination of antiquated legacy systems with disparate integrations. In order to realize a faster and more streamlined organization, a core systems transformation was required to provide simplified and consistent delivery to employers, workers, and practitioners.
  - Solution. Deloitte was engaged to participate in an Agile-driven full-suite Guidewire implementation.
  - Impact. The client now has a fully integrated core system that enables consistent policy issuance and renewal processing, real-time account and claims decisions, and the e-Registration of accounts. A staff of over 700 practitioners from five offices now easily tracks the end-to-end lifecycle of over 900,000 accounts and 10 million claims.
  - Deloitte Accelerators leveraged.
    - Enterprise Value Delivery (EVD) for System Integration / Agile Development
    - Project Estimator and Planning Suite (PE & PS)
    - Results Management Office (RMO)
    - Engagement Review Program
Lessons from the Trenches

Deloitte’s experience working with hundreds of insurance carriers globally has allowed us to synthesize a number of leading practices that can reduce the cost and risk of core systems implementation efforts:

• Since internal resources often do not possess sufficient experience estimating core system transformations or lack up-to-date estimation tools, augmenting your current staff with an experienced system integrator can help you improve estimating and therefore increase the likelihood of success with your implementation.

• Improve the accuracy and consistency of your estimating by using validated inputs processes, and tools.

• Drive and coordinate all program decisions through a dedicated and empowered program management capability that leverages defined business case objectives as a guide.

• Adhere to defined formal and sustainable PMO processes (resource management, risk and issue management, etc.) throughout the entirety of the project.

• Improve IT and business integration by building agreement within the project team that business stakeholders should be the principle project sponsors. Project goals should then be based on direction from the business stakeholders.

• Utilize unit test automation to support fast and continuous delivery.

• Allocate tools to support test scripting and execution. This can help promote a consistent level of execution and proper traceability between requirements, test cases, defects, and retest.

• Combined with a rigorous automated test bed, continuous integration can reduce code brittleness and accelerate project schedules.

Use outside resources to perform an objective assessment of project progress at periodic time intervals.

Conclusion

Modernizing a core policy system can provide significant top line opportunities through increased speed to market, diversified product portfolios, and cross-sell and up-sell opportunities. At the same time, your organization can achieve operational efficiencies through improved security, simplified merger and acquisition integration, and lower maintenance costs. Despite these tangible benefits, significant risks underlie these projects and can delay their implementation. Deloitte believes that adopting leading practices throughout five critical components of effort estimation, project management, business and IT integration, testing, and quality assurance can greatly increase the likelihood of success. Combining leading practices across these components with a team of experienced and highly trained resources from Deloitte can help you successfully navigate a core systems transformation. From business case to go-live, Deloitte knows how to get it done right.
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