

Aligning ITO and BPO – A Holistic Approach

Get actionable insights to illuminate the way during these challenging times



About Cognizant:

Cognizant is a global leader with over USD \$2.81 billion in revenue and 61,700 employees and is in the business of providing information technology, consulting, infrastructure and business process outsourcing services with the headquarters in Teaneck, N.J. Cognizant's single-minded mission is to dedicate our business process and technology innovation know-how, our deep industry expertise and worldwide resources to working together with clients to make their businesses stronger. Our Insurance Practice, with over 8200 associates, is led by industry veterans possessing deep domain knowledge and awareness of the issues and obstacles facing the industry that is unique to various regions. Cognizant provides services to 14 of the top 30 Life and P&C Insurers across North America, Continental Europe and Asia Pacific and has been recognized by the analyst community as having the industry's most mature and fully developed Insurance Practice.

Aligning ITO-BPO Holistically

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 below – the figure also delineates the traceability to key P&L metrics that are impacted by these solutions.

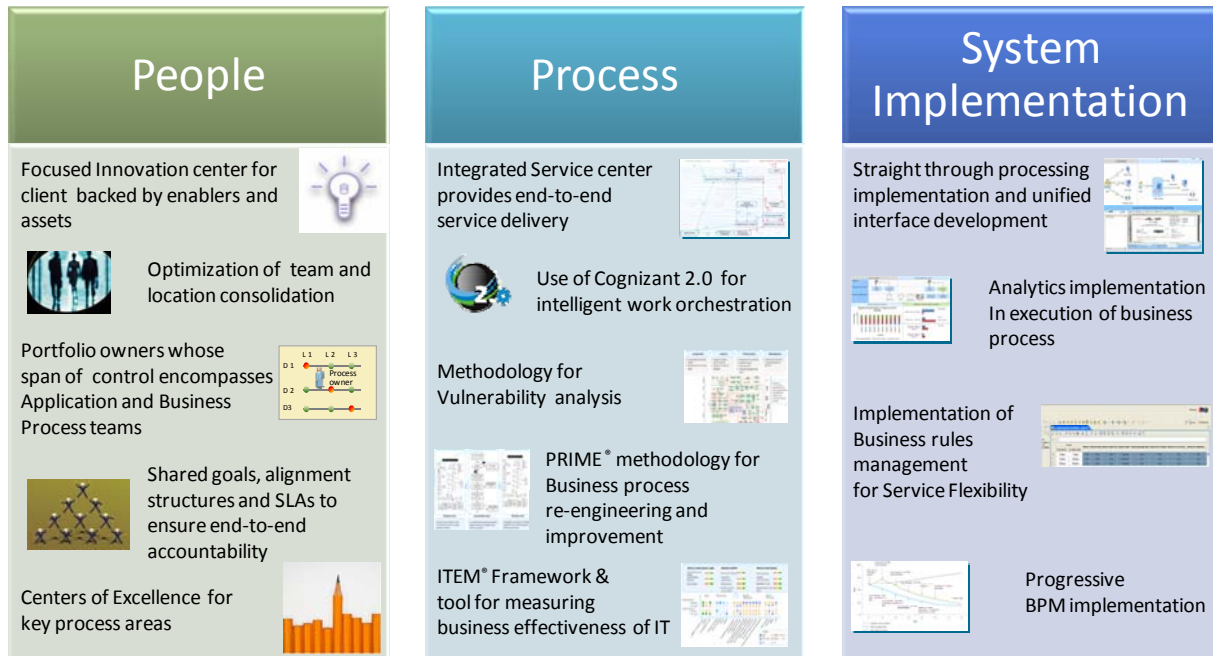
		Sales & Distribution			Operations						Risk Mgmt & Fund Deployment		Enterprise Management	
P&L Metric	ITO-BPO Solution Component / Strategy	Sales & Marketing	Agency Management	Product Management	Policy life cycle Mgmt	Underwriting	Rating	Billing	Claims Management	Business Intelligence	Re-insurance	Financial Management	Compliance	Enterprise Management
3 year CAGR	Shared services focused on front end processes	●	●	●	●	●	●	●	●	●	●	●	●	●
	Online front office system	●		●	●	●	●	●	●	●	●	●	●	●
	Online sale facility for net-savvy segment	●			●	●								
Operating Profit/ Net Premium	Fraud detection system to reduce Claims								●					
	Publishing platform for high volume client	●	●		●	●			●					
Customer Satisfaction Index	BPM tool to improve efficiency and effectiveness of Claims processing	●	●	●	●	●	●	●	●	●	●	●	●	●
	Automated Policy maintenance with in-built monitoring and escalations				●									
	Real time Single Entry Multiple Carrier Interface solution	●	●			●								
Expense Ratio	ITIL and Capacity planning & performance management tools	●	●		●	●			●					
	Online system	●		●	●	●								
	Proactive personalized outbound calling system	●			●									
	Outsourcing, consolidation, and efficiency improvement resulting in reduction of print-to-mail expenditure				●	●		●	●					
	Real-time point of entry address verification system	●			●	●		●	●					
	Online Underwriting platform					●								
Loss Ratio	Predictive analytics								●	●				
	Comprehensive imaging, content and workflow management	●	●	●	●	●	●	●	●	●	●	●	●	●
Risk Exposure	Solutions for Automated Risk Transfer										●			
	Solutions for Automated allocation										●			



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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 below 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 and collaboration platform to extract synergy 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 implementation approaches such as, Straight-Through-Processing, Unified interface development, development of Analytics, and BPM implementation 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.



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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

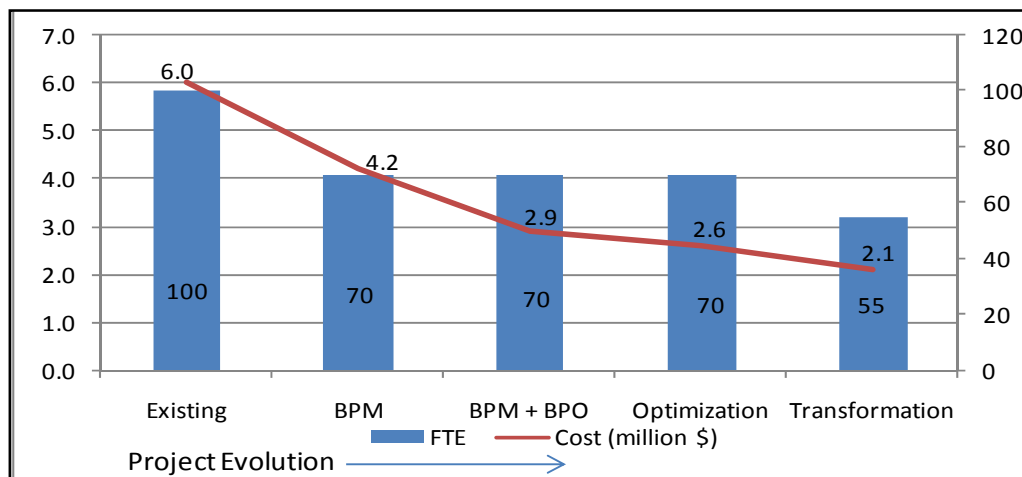
Cognizant's Solution

- 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 capabilities 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.



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A Brief Listing of ITO - BPO Alignment Engagements

	Executing Policy Administration processes like Premium Calculation, Policy Cancellation and Endorsement etc. for Auto and Home LOBs for a leading US based P&C insurer.	• 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
	Processing pharmacy benefit claims of Workers' Compensation and Commercial Claims for a leading Pharmacy Benefits management Company with more than 50 million customers	• 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
	Data validation and capture from Provider Credentialing forms for a subsidiary of largest single health carrier serving 70 million customers	• Reduced cost of operations by over 55% • Doubled the process capacity by eliminating redundant activities like double data entry and enabling Straight through processing
	Data Management, Analytics, Knowledge Services, Transaction Processing for a Health insurance major	• Reductions in cost per file by 40% for credentialing • Additional recovery value of \$3.7Million due to reduction in case threshold for subrogation • Reduction in Cycle Time by 33% • Faster TAT for aberrant billing patterns and saving \$2million annually • Accuracy up from 95% to 99% • Productivity up 15% year on year, quality up from 96.7% to 99.6%

