



P&C Core Admin Platform Migration Strategy: Key Options & Risks

Siddhartha Nigam
Practice Head - Insurance Products

Migrating data from a disconnected legacy system to a modern platform is a tall order. For insurance businesses, this means contending with a data overload. Preparation, and a thorough understanding of old and new systems, is key to a successful migration. It's equally important to know what to move, how to move it, and in what volume.

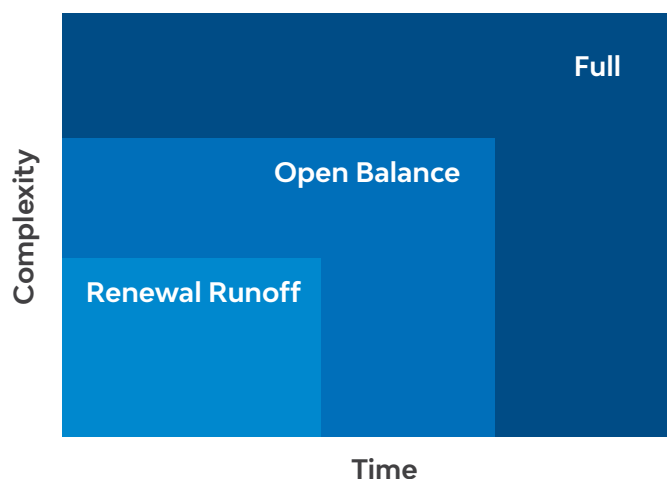
Core Admin migration for Property & Casualty (P&C) in Insurance follows three major strategies:

Renewal Runoff - This method involves migrating data at the time of renewal. As old policies lapse, they are migrated to the new system on renewal.

Open Balance - This method involves migrating only the transactions that are active. Historical data is not migrated to the new system.

Full Migration - This method involves migration of all historical data. Hybrid versions of full migrations are also possible, where only summarized view is migrated for a limited period of time (say 7 years).

Each of these options involve different sets of complexities and timelines.



Renewal Runoff comes with the least risk.

- The legacy system must be kept running until completion of the last policy's term, leading to additional costs for maintaining two systems.
- Decisions must be made on data archival and retrieval.
- All changes must be communicated comprehensively to the client.

Open Book Migration is preferred when migration is limited to the active book of business.

For example, when migration involves policies in force, or open claims. This option reduces the effort of cleaning the data of historical policies.

- It ensures moving to the new system without the cost of maintaining two systems. However, the need to invest in archival and retrieval of old data will remain.
- It provides all customers a consistent view, irrespective of the number of policies they hold.

Full Migration is best used when the entire history of the application needs to be migrated. This method is inherently complex as it involves the risk of corrupting huge volumes of data during the change in business logic. The clean-up of historical data requires dedicated effort, but ensures switch to the new system as soon as the migration is completed.

- Even products that are no longer serviced must be configured and set up in the new system.
- Policies that have undergone data correction will have to be set up manually.
- Migration and validation of legacy rules and values are critical to providing context to the data.

Ideally, companies should consider full migration, or the options of hybrid or summary migration.

Analysis of Options for Each Module of Core Administration

Policy Administration System

P&C insurance policies are mostly of a term of one year or less, though some carriers offer slightly longer terms.

Following are the salient points to consider while deciding the approach:

- Renewal Runoff is the best option when implementing PAS, to move policies from legacy to new systems.
- Open Book Migration should be considered if a company has long-term policies (i.e. more than a year), making maintenance of two systems prohibitive.
- Full Migration can also be used for PAS implementation, when it needs to be done in a time-bound fashion. For instance, due to regulatory reasons or carriers' endorsements.

Billing

Billing applications can facilitate the following:

- a) Direct bill to customer as per policy
- b) Account bill (also called Household bill)
- c) Consolidated bill to customer
- d) Agency bill via statement

The options available for billing migration are as follows:

- Renewal Runoff becomes the de facto choice when billing is implemented with PAS.
- Open Book Migration is a popular option when billing requires consistent view to be provided to customers. It also helps agents by reducing the number of bills to one per customer.
- Full Migration is largely driven by the choice of customers. However, most customers restrict the migration to a certain number of years, with or without retrospective effect.

Claims

Contractually, claims for a loss that occurred within the policy's term can be notified at any time. The data migration strategy of claims systems should, therefore, cover:

- a) Open claims
- b) Reopening of old closed claims
- c) Claims on an old policy

The following options should be considered during claims migration:

- Renewal Runoff can't be applied to claims migration.
- Open Book Migration is the most common strategy for claims migration. However, this entails creating tools to fetch older claims or policies.
- Full Migration of claims data, for a defined timeframe, is also popular, as it facilitates reopening of old claims because of new liability or litigation.

Based on experience, the following options arise from this 3x3 decision matrix

| | Runoff- Rollover | Open Book | Full Migration |
|----------------|---|---|---|
| PAS | Risk - Low Popularity - High Point to consider - Legacy system must be kept operational until last policy expires | Risk - Medium Popularity - Low Point to consider - Should be used only if there are long-term polices in the system | Risk - High Popularity - Medium-Low Point to consider - Should be used when the cost to maintain the legacy system is prohibitive |
| Billing | Risk - Low Popularity - High Point to consider - Legacy system must be kept operational until the last policy expires | Risk - Medium Popularity - Medium Point to consider - Post migration, should ensure a consistent billing experience to agents and the insured | Risk - High Popularity - Medium-Low Point to consider - Should be used when the cost to maintain the legacy system is prohibitive |
| Claims | Risk - NA Popularity - NA Point to consider - NA | Risk - Medium Popularity - High Point to consider - Necessary to build tools to fetch and reopen old claims | Risk - High Popularity - Medium - Low Point to consider - Should be used when archival and retrieval of old claims system is not in place |

Questions that Insurance companies should ask before deciding on the migration strategy:

- How many disconnected systems are you trying to migrate?
- Are there multiple core admin systems that you are trying to migrate?
- How old is the data, and how often will they access it?
- Is there any reason to uninstall the legacy system (license, high hardware costs, etc.)?
- What happens to the legacy application after migration?
- Will frequent data corrections be needed?
- How often will you revisit dated transactions?
- Are you migrating like-to-like products, or performing a product and coverage rationalization before migration?
- Do you have any state-wise or LoB-wise rollout plan in the new system?
- Are relevant rules that give context to data also being migrated?
- What is the archival strategy?
- Does all data need to be moved?
- What is the contingency plan if things go wrong?

The answers to these questions will highlight the benefits and risks associated with the migration.

Conclusion

Data migration could become one of the most crucial components of the Core Admin Modernization exercise. Insurance companies should decide their strategy carefully before undertaking the project. Companies should list down pros and cons of the proposed migration strategy, and always plan for contingencies.

About the Author



Siddhartha Nigam

Practice Head - Insurance Products

Siddhartha is the Practice Head for Insurance products. He manages the practice, and implementation of COTS products like Duck Creek and Guidewire across all geographies. He has extensive experience in managing large and complex insurance transformation programs. Siddhartha has also been instrumental in developing and leading insurance product development and engineering.

LTIMindtree is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation, and maximize growth by harnessing digital technologies. As a digital transformation partner to more than 700 clients, LTIMindtree brings extensive domain and technology expertise to help drive superior competitive differentiation, customer experiences, and business outcomes in a converging world. Powered by 84,000+ talented and entrepreneurial professionals across more than 30 countries, LTIMindtree — a Larsen & Toubro Group company — combines the industry-acclaimed strengths of erstwhile Larsen and Toubro Infotech and Mindtree in solving the most complex business challenges and delivering transformation at scale. For more information, please visit <https://www.ltimindtree.com/>