



All the Right Moves

Part I – Finding the Right Business Model:
A Combination of SaaS, BPO & Licensing Tailored for You

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It's not easy being an insurer today. New technologies, new markets and new business models are having a ripple effect on everything from consumer expectations to business operations. With the pace of change increasing exponentially, there are two tenets to consider when it comes to finding the "right business model". One: what works today will not work tomorrow. Two: the right business model for one insurer is not the right one for all.

Many insurers are now considering transformation, enabled by IT and BPO, to address new priorities. But there's always the danger of casting too rigid a mold and forming structures that cannot be easily reshaped. Let's say an insurer licenses an enterprise-wide policy administration system, or deploys a full-blown SaaS model, or engages an end-to-end platform BPO solution. What if the insurer's needs change tomorrow? What if a better model makes more sense at that point in time? What if there is no way to reverse the hard-cast transformational mold?

The answer lies in building a business model embedded with the capacity to change, based on both what is anticipated and what is not. This begins with asking the right questions, finding the right model, and then making the right moves.

Asking the Right Questions

Life insurance companies today are increasingly examining their business models with an eye towards changing them. Many factors are driving this examination – including heightened competition, aging labor forces and/or infrastructure, the need to change or augment traditional distribution models, and the need to introduce new products and/or existing products in new markets / emerging economies.

The pace of change is increasing exponentially. Disruptive new technologies continue to challenge us with both risk and opportunity. It seems like only yesterday that being able to do business end-to-end on the internet was a potential differentiator, and now it is simply table stakes as we are challenged by the rise of the mobile device. Regulatory oversight is increasing, adding complexity and risk. The list goes on and on.

So what is the right business model? Simply put, the right business model is what optimizes your business. Simple to say, but what does this mean? We would suggest that there are two key elements:

1. What works today will not work tomorrow

As we hear over and over again, the only thing that is certain is change. As is the case with many industries, the focus of changing a business model in our industry can be somewhat near-sighted in nature. We want to optimize for the here-and-now and the foreseeable future. We build upon what we know, and what we can see in the near future.

Realistically, how long will this business model remain optimum and relevant? 5 years? Maybe. 10 years. Doubtful. If you step back 5 years, how many companies had a Facebook page? Today the question is: who doesn't? Clearly, we don't know the precise contours of the future but we do know that change will be omnipresent.

2. The right business model for any one insurer is not the right one for all

There are a number of key questions to review when defining a change to a business model, and the answers to these will vary. Although not germane to this discussion, we would also stress that these questions need to be answered honestly, not aspirationally. Here are some of the fundamental ones:

- » What are your organization's core competencies? You can break these down in many ways but at the highest level, they would include: product development, distribution, customer service, sales / marketing, IT, operations, finance. What are the core competencies that can differentiate you in your market space, the ones which you want to drive deep into every part of your organization?
- » What are your weaknesses as an organization? Peter Drucker said something about a manager's task which includes "making weaknesses irrelevant". All right, so what are your weaknesses, and how can you make them irrelevant?
- » How much transformation can your organization tolerate? Is it better to be evolutionary or revolutionary? What is your organization's realistic appetite for change and how could this evolve over time?

Again, the list goes on. Looking at these, they seem like bedrock-type questions which don't really change, and yet let's go back to the first element; the only thing which is certain is change. We believe that the answers to seemingly foundational questions — such as what are core competencies, weaknesses, and appetite for transformation — can and will change over time. This means that in building a business model, you need to build in the capacity to change — not just what you anticipate, but also what you don't anticipate.

Simply put, the right business model is what optimizes your business



Finding the Right Business Model

While asking the right questions is one thing, what does it all mean to defining your service / IT business model? For most companies, the answers to questions in the previous section drive a decision to license a policy administration system, deploy a Software-as-a-Service (SaaS) model or engage a Platform BPO solution (BPO providing both policy administration platform and BPO services for operations). We would suggest that just as your business imperatives change, so must your service model. Also, for many, hard lines are drawn around each of those models, whereas a mix or “hybrid” solution may be the right answer. Some points to consider:

1

You feel strongly that you want to maintain ownership over client or agent interactions, so you may be leaning towards a License or SaaS model.

Alternative to think about: Consider a “hybrid” SaaS/BPO solution where your client-facing activities are done in a SaaS mode, while your personnel and “back office” activities are handled by a BPO provider.

2

You feel strongly that IT is a core competency and long-term differentiator but like many other companies, the project and “To-Do” pipeline is “years”-long. The traditional approach is to license a policy administration system and then spend 4x to 15x over license cost for implementation services. What did that fundamentally accomplish besides a huge spend?

Alternative to think about: Consider a SaaS deployment from a qualified BPO provider with an option to license the technology, when and if you are ready to do it.

3

Over time, your needs and/or appetite for change will evolve. Perhaps your vision is that long term you want to move service as much as possible to an external outsourcing partner but realistically you know the appetite for transformation is evolutionary within your organization. You need to walk before you run.

Solution: Deploy a full SaaS model upfront — with the ability to migrate selected functions to a BPO provider over time.

The right business model will change and evolve in fundamental ways over time. Just a few years ago, it wasn't really possible to consider such flexible solutions. This is not the case anymore, and you can capitalize on this opportunity by creating a flexible model that has the capacity to change with your organizational needs.



How Two Insurers Made the Right Moves

Infosys is one of a very limited number of BPO partners who can provide a high level of flexibility (platform plus services) in a “hybrid” model that can change as your business changes. We would like to share two recent examples of clients taking advantage of this flexibility.

Case A

The situation: Client A is a fraternal insurer whose existing clients and agents are key to attracting new business. They wanted the maximum savings they could achieve from both upgrading their platform and outsourcing service, while at the same time controlling client and agent interactions.

Infosys’ solution: Client A is migrating all their legacy business to Infosys’ proprietary Policy Administration Platform, VPAS® Life. We are deploying a hybrid SaaS/BPO model where the client contact center will be staffed by Client A. Service personnel and back-office administrative activities, such as financial and non-financial requests, will be split onshore and offshore to achieve maximum cost savings.

Future state options: The service model could move more in either SaaS or BPO direction with the evolving needs of Client A.

Case B

The situation: Client B is an insurer who has gone through major changes in the last year, including being acquired by a private equity firm and going from a run-off mode to aggressive plans to ramp up sales under new ownership. Client B was an existing client and prior to their acquisition, outsourced service on an end-to-end basis. Under new ownership, Client B wanted to assume the agent contact responsibilities as well as new business processing, both of which are critical to building sales in a new distribution channel.

Infosys’ solution: Change service model to allow Client B to provide contact center and new business services in a SaaS mode, while continuing to handle end-consumer contact and back-office administrative services in a combined onsite/offshore model.

Future state options: As in Case A, the service model could evolve along SaaS-BPO continuum in either direction.

▶ *Client A is keeping all their options open as they move forward, and Client B made a change to their service model that they would never have envisioned 18 months previously.*



The Way Forward

Clearly, what is right today will not be right tomorrow, and what seem like bedrock decisions will potentially change. We would suggest that when considering a change in your service model, although you need to clearly focus on what your needs are now and in the foreseeable future, you must also ensure that you have flexibility to change as your environment changes. This doesn't necessarily have any material cost impact. In addition to identifying the right business model, it also means working with a partner who is first and foremost aligned with you — one who can keep all your options open as your needs change.

We welcome your comments and feedback on this Point of View. Tell us what you think by writing to:
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Mark DePhillips is Senior Vice President of Insurance Services and leads BPO Operations for Infosys' VPAS® Life policy administration platform. Mark has over 25 years of experience in administration and information systems in the life insurance industry.

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In addition to the positions he holds with McCamish Systems, Gordon maintains his Series 7 General Securities Representative, Series 24 General Securities Principal and Series 63 Uniform Securities Agent State Law licenses. Gordon graduated from the University of South Carolina (USC) with a BA in English in 1984 and obtained his Masters in International Business from USC in 1986. Gordon serves on the Boards of the Foundation of the Holy Apostles, the Georgia Public Policy Foundation and the National Parkinson Foundation.



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About Infosys BPO

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