

## Nationwide's PolicyCenter Project Pioneers Package Policy Admin for Top-Tier Insurers

By Anthony O'Donnell

**F**aced with the need for greater speed-to-market, agility and total cost of ownership, Nationwide Insurance did what any industry observer would expect from a Tier-One insurer: it planned a legacy modernization initiative. However, the carrier changed course and decided to implement a rules-based, configurable packaged policy administration system after an especially intensive selection and viability assessment. The carrier has begun to implement Guidewire's (Foster City, Calif.) PolicyCenter for all Nationwide Insurance and Allied Insurance personal lines — a volume of policies representing roughly \$9 billion in premium.

Like many of its competitors, Nationwide Insurance's (NI, part of Columbus-based Nationwide, \$14.7 billion in annual premium) quest to update its policy administration capabilities was motivated by longer-term concerns rather than an urgent need, according to Seth Flory VP, Business Transformation Office and head of the PolicyCenter implementation program. "We had come to the conclusion that we had to do something — that doing nothing was not an option," he recalls. "It wasn't that our current problems represented the 'burning platform,' but rather how potential deficiencies would be manifested in two, three or five years."

The carrier envisioned a classic incremental legacy modernization program that leveraged packaged systems for ancillary capabilities and included the externalization of hard-coded rules for product rating and underwriting, according to Flory. "The plan was heavily focused on risk mitigation," he adds. "This is the project that no one wants to do — there is no easy alternative."

### The Path to Package Systems

For some time, the insurer had been moving to packaged solutions wherever viable, for example for incentive management and ERP systems, according to Jim Korcykoski, NI SVP and CIO. The insurer broke new ground in the industry by deciding to license a package core insurance system. NI announced its selection of Guidewire's ClaimCenter in Jan. 2011.

Positive experience with ClaimCenter encouraged NI to consider the packaged system option for policy administration. The carrier began studying the maturity of dozens of packaged policy administration offerings during 2010, but after that research effort it remained unconvinced of their viability for an environment as large as Nationwide's, according to Korcykoski. However, NI had to weigh concerns about packaged systems' maturity against the downside of the legacy modernization alternative. Implementing a packaged system within a Tier-One environment was unheard of so far, but wouldn't likely be for long.

"We anticipated that most of the market could move in the direction of rules-based packaged systems and that we could find ourselves at a disadvantage," Korcykoski says. "We didn't want to be in a position of having to start over when we finished modernizing."

### Robust Viability Assessment

Influenced in part by its success to date with Guidewire's ClaimCenter, NI decided in late 2011 to see whether the vendor's PolicyCenter offering could stand up to the insurer's needs. "Making a decision without industry precedent required us to conduct an extremely robust viability assessment of the software," comments Flory. "Everybody here has been amazed how much time we spent up front kicking the tires to get to the threshold of confidence we set."

Korcykoski identifies three basic questions about the packaged system that NI needed to answer in the affirmative:

1. Can we use it?
2. Should we use it?
3. Should we do it now?

"We needed to know that it could do what we needed it to do, whether it would scale to the level we need, and whether it would give us the business agility we would need in the future," he glosses. "The criteria underlying the conclusion that we needed to do something were speed-to-market, agility and total cost of ownership."

Korcykoski says that PolicyCenter emerged as the strongest product from NI's perspective because of com-

pleteness from a functionality standpoint and scalability. "It had to be scalable not just in terms of user scalability, but in managing product definitions across multiple products and states, along with the associated rating and underwriting," he says.

### **Full Policy Lifecycle Capabilities**

Flory stresses the quality of what he describes as PolicyCenter's end-to-end, full policy lifecycle capabilities as tipping the scales in Guidewire's favor. "It may not look exactly as we'd like, but the guts of P&C processing are there, including some of the hardest processes," he elaborates. "We didn't want to stumble into a crevasse, so we took a close look at the really hard processes and the integration challenges they implied." Incongruence between NI's systems and PolicyCenter's base capabilities was by no means necessarily a bad thing, Korcykoski stresses. "What we don't want to do is pave the cow path," he says. "We're not necessarily trying to recreate that legacy world in a new system, but by extracting how our world looks today to the extent that's realistic, we can implement the package and only have variation when necessary."

NI's strategy embodies the doctrine that core transactions are commodities and that, hence, flexible core systems can liberate insurers to dedicate time and resources to truly market-differentiating capabilities. "If we're spending our resources on core systems, we're taking it away from the fringe where we can make a difference," comments Flory. Furthermore, packaged systems also enable insurers to split the cost of developing non-differentiating capabilities with all the vendor's licensees, Flory notes.

### **Making Technology Matter Less**

In a larger sense, the package choice suggests a belief on the part of Nationwide that though technology may still matter, it ought to matter less. One manifestation of that conviction is NI's insistence that the PolicyCenter-based core system transformation project is a business project, not a

technology project. Korcykoski terms the initiative a package-enabled re-engineering effort aimed at simplifying technology and processes. "It's not that it couldn't be done without a package, but we believe that the changes will take less time and cost," he says.

The project is aimed at stripping away unnecessary complexity, Flory adds. "We've allowed a ton of complexity to creep into personal lines, and not necessarily because the market demanded it, but because of the systems we have in place today."

Korcykoski and Flory acknowledge that in addition to liking PolicyCenter product, they also liked "who Guidewire was," where the company was going and what its customers said about their products. But especially relevant to NI's technology philosophy was Guidewire's systems' resistance to customization. The problem this approach eliminates is one of being able to customize to the point of not being able to take upgrades.

Korcykoski illustrates the question by noting that there is always a percentage of, say, an ERP system that makes no financial sense to touch. "This package in effect enforces your not customizing it, while also providing a baseline above which you can configure to your particular needs," he explains. "That's a really different approach than starting with your existing processes and wondering how to simplify."

It was a lesson that emerged repeatedly during NI's viability assessment of PolicyCenter, during which NI talked to several carriers who had gone down the path of custom-building new solutions or modernizing. "All of them are facing the same question today," Korcykoski declares. "They say, 'I successfully built the system and it has lived its life, but I can't continue to maintain it.'"

NI plans to roll out PolicyCenter on a state-by-state basis, starting with Nationwide-branded products. Korcykoski estimates that the first state will be rolled out within about 30 months. "It's premature to be more precise than that at this stage," he says.