

# INSURANCE INDUSTRY- OUTSOURCING OF A DIFFERENT NATURE

A PROGRAM CASE STUDY

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PMI, Mumbai, 5-Jul-2009

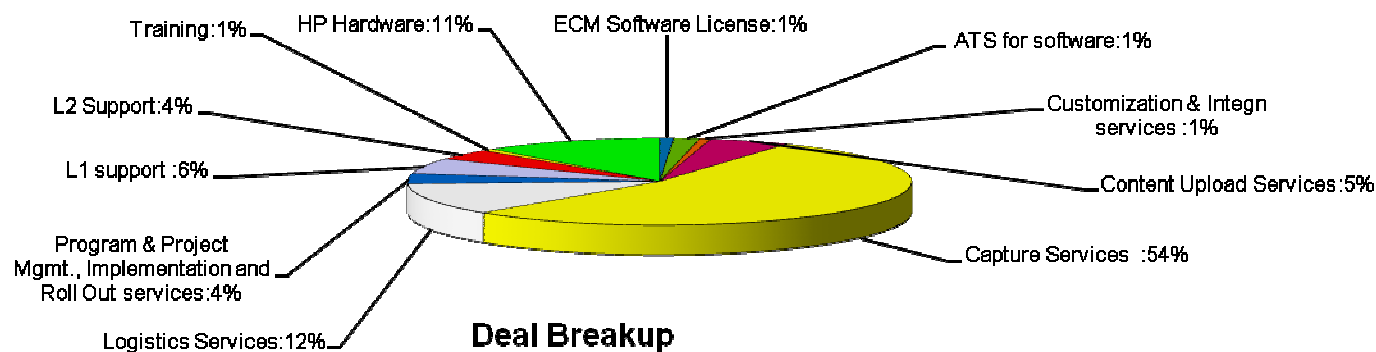
# Agenda

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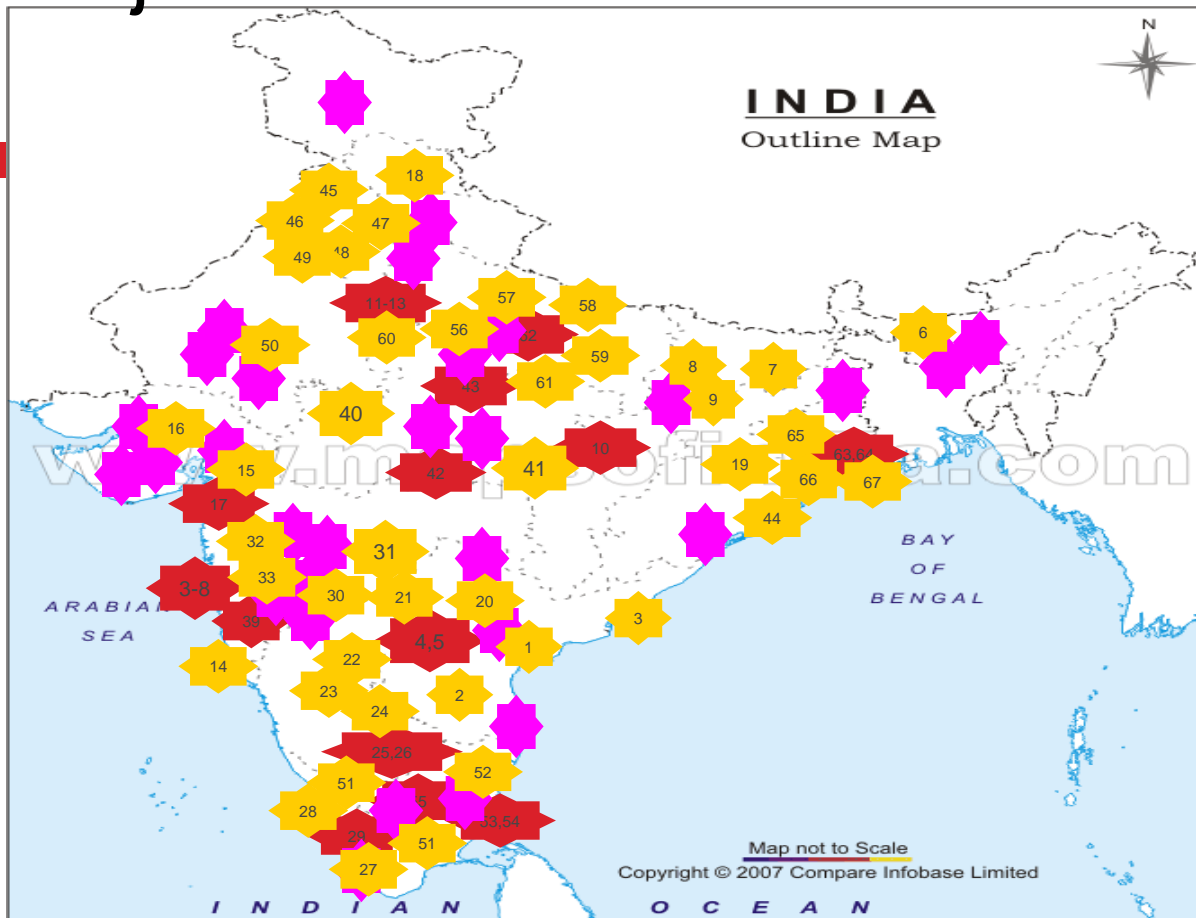
- ❑ Project Back Ground & Overview
- ❑ Why Outsourcing
- ❑ 9 Knowledge Areas in the Project
- ❑ Tips used
  - ▣ Proposed Team
  - ▣ Proposed Governance Model
  - ▣ Proposed Risk mitigation Plan
  - ▣ Internal Marketing can be a great motivator
- ❑ Q & A

# Project Overview – Electronic Document Management S

- Approx **207m** Docket (2.4 bn pg) to be scanned, indexed & uploaded
- The project implementation in 3 Phases across **2048** Branch, **105** Divisional Office & **8** Zonal Office
- Target of 8m Page scanning per day & put it back to system in 72 hours
- Software customization, integration with existing Cobol based system & implementation to suit business work flow.
- Support for 8 Years – Till 2015
- Training of 6000+ employee on new document management software



# Project Overview – EDMS PROJECT COVERAGE

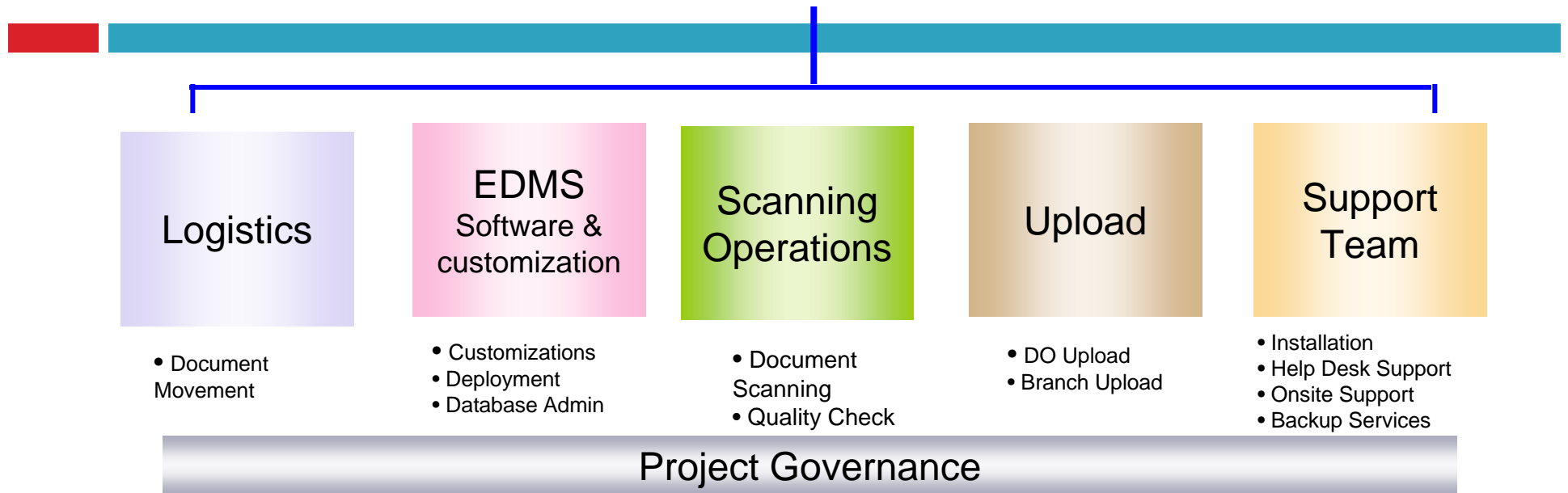


Phase	Division	Branch
Phase I	24	581
Phase II	43	889
Phase III	38	582
	105	2052

Original Project closure Date  
(exp): Jan -2010

- ★ Phase I Site
- ★ Phase II Site
- ★ Phase III Site

# Project Overview – EDMS PROJECT DELIVERY MODE



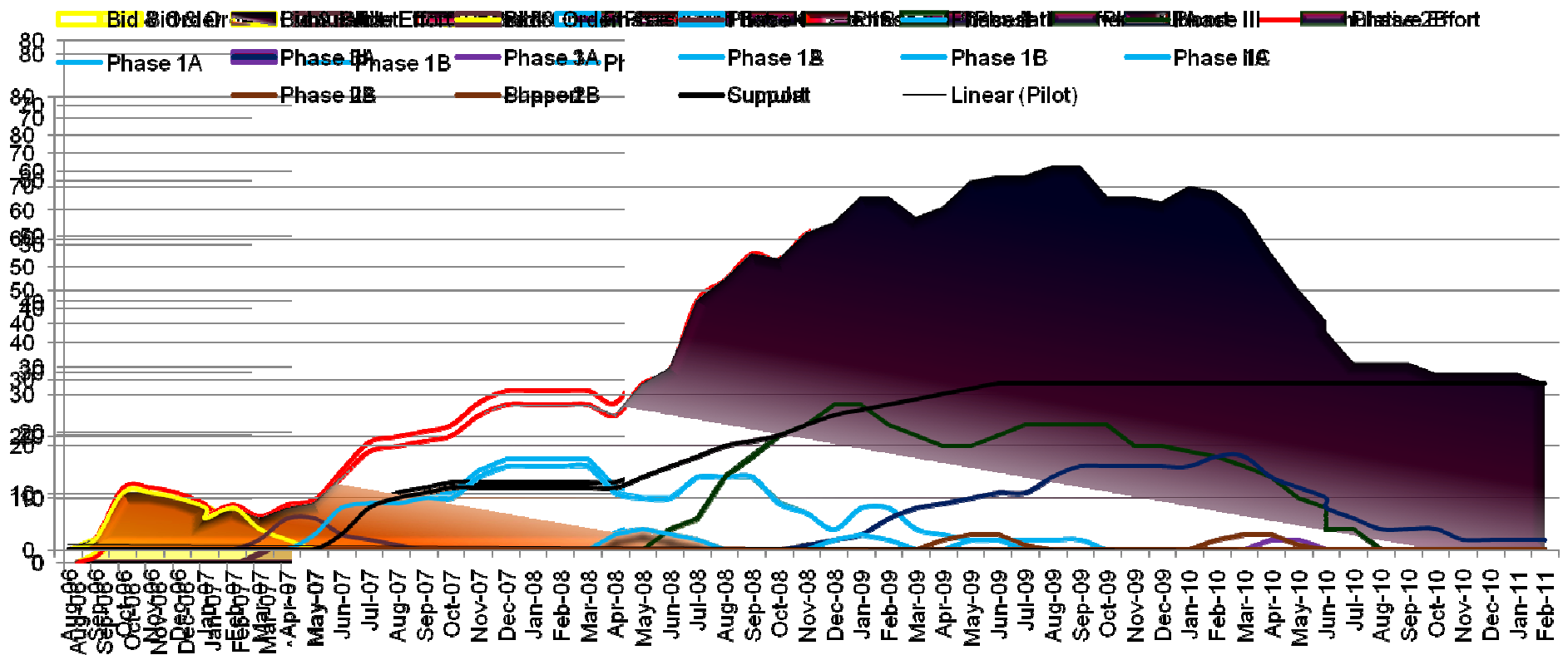
HP to implement the project & support it till 2015.

# Why outsourcing ?

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- ❑ Contractual obligations to use domain expert vendors while capitalizing HP Project Management
- ❑ Reduce the overall management burden while retaining control of strategic decision making
- ❑ Improve efficiencies through economies of scale
- ❑ Better risk management through spreading of risks among different vendors
- ❑ Best cost optimization using competitive vendors
- ❑ To organize 10000+ manpower across the country
- ❑ High daily volume needs different group to perform at their comfort regions

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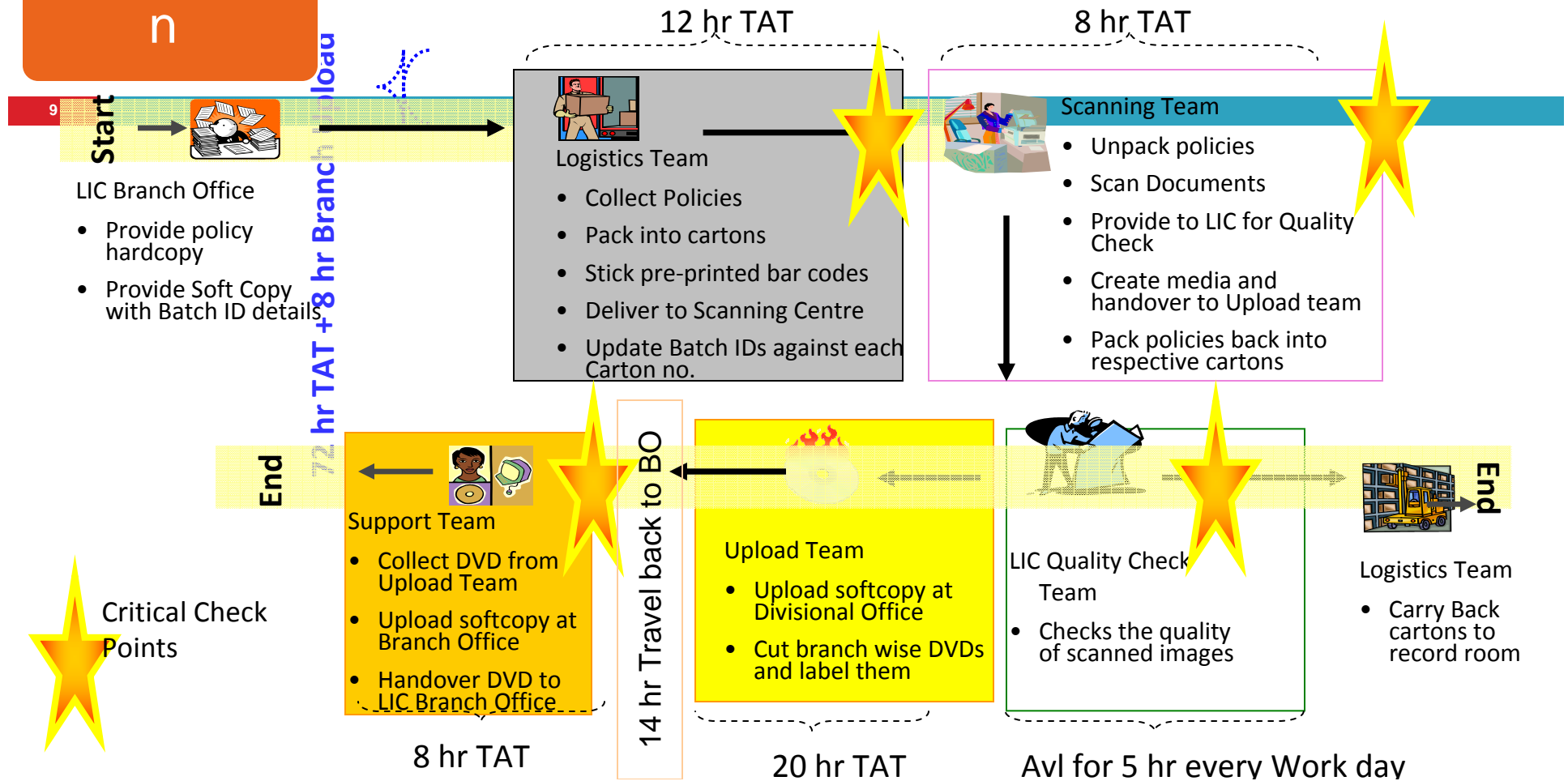


# A Project that covers all nine Knowledge Areas





# Integration



# Cost

✓Avoid cost over run

✓Effective Risk mitigation

✓Strong procurement and contract

- 70 % manpower cost
- In-house : outsourced :: 10 % : 90%
- Regular Contract Revision
- Renegotiation are possible provided partners see a long term relation & their future business is protected
- Additional & loyal partner development as contingency planning
- Back to back contract mapping to ensure risk transfer

# Scope

- ✓ Proper Sign off process
- ✓ Effective SOW study
- ✓ Effective project governance

Cause	Example	Effect & Action
Improper definition of deliverables	No clear definition of quality parameters	A common understanding of quality took six months before ramp up happens
Technology Change	New servers do not support internal DVD with current OS ver.	Free supply of External DVD drive to all sites. Any contract to keep necessary flexibility
Operational change required	Customer request for Color photograph scanning	Process change to accommodate additional effort
Inflexibility in contract revision	Contract is defined for Legacy systems	No scope to accommodate automation & hence more manual operations
Lack of initial knowledge	Contract specified only vendors with domain knowledge to be used	No such skill was available in India to handle such volumes. A separate training & skill initiative to address it

# Time

✓Effective  
use of  
Crashing &  
fast tracking

✓Proper  
Documentat  
ion

✓Productivit  
y

Cause	Effect & Action
Initial lack of domain knowledge	Phase I start up delay. Using Crashing & fast tracking to compensate the time delay
Dependency on partner skill	Non uniform partner performance has affected time plan for individual DO. A overall production management to reach the monthly figure.
Late site handover	Proper documentation and logic to establish short fall and hence the time delay. Then use project management to extend phase time line while additional production from voluminous sites.
Difference in Quality understanding & No TAT on customer responsibility	Delay in QC clearance and hence overall delay. Agreed daily performance reports so that bottleneck is highlighted to central operation management team. Escalation wherever is justified
Public sector time lag	Documentation, review meeting and established escalation process to be followed
Timeline is optimistic based	Entire revision of time plan immediately after phase I

# Quality

## Complexity of quality:

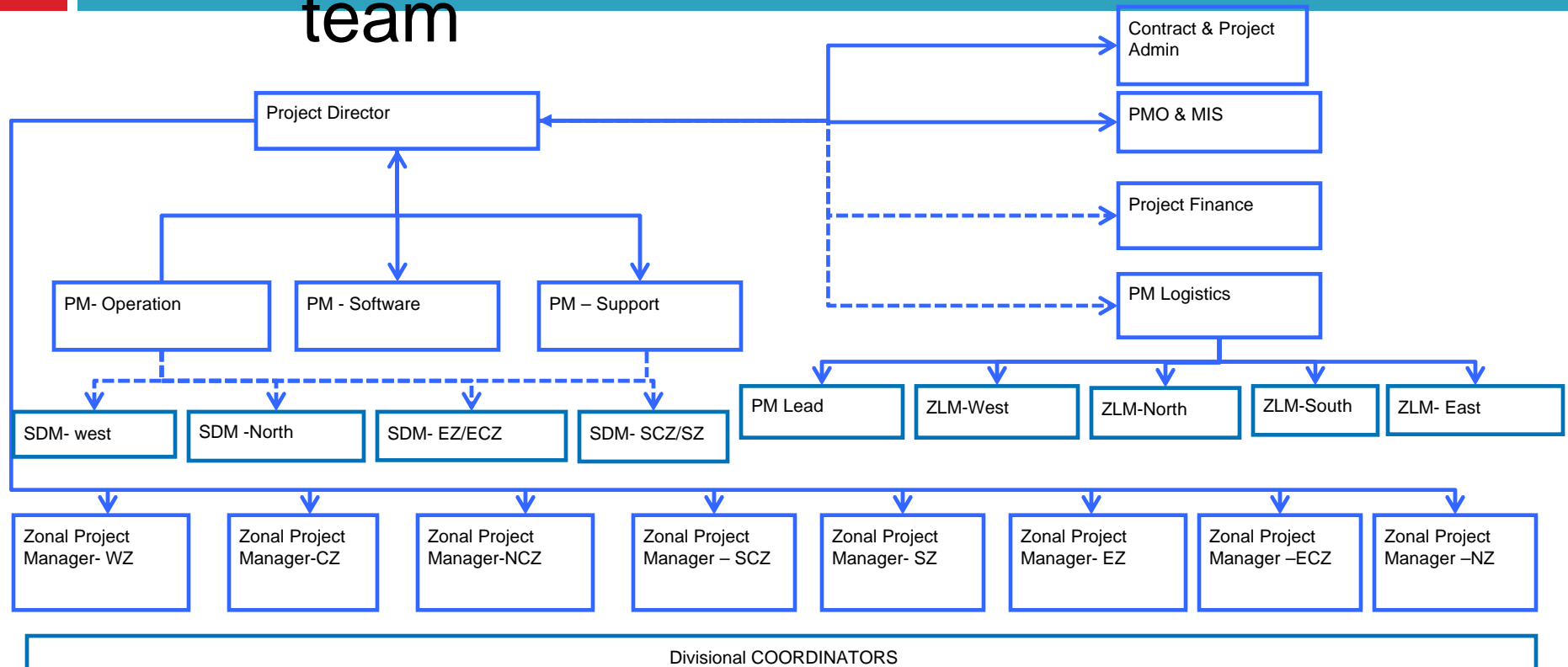
- Quality definition - objective Vs Subjective - 40:60
- Individual perception of business requirement of document association
- Training 10000 people on quality awareness
- Multilingual forms

## Awareness & compliance:

- 2% v/s 98% random acceptance process
- Quality norms & standardization is as per project requirement
- Process audit- closed loop
- Automated tool for quality conformance
- Quality of software code review, UAT, configuration management & rollout

HR

# A Proposed Core Team to manage outsourcing with full control within the team



HR

# HR Challenges & experiences

- ❑ A wide range of skill requirement and management
- ❑ Non committal work force
- ❑ Repetitive volume production and short cuts
- ❑ Quality awareness up to last level of hierarchy
- ❑ High attrition
- ❑ Training each of 10000 work force and any new joinee
- ❑ Innovative incentive scheme to generate interest
- ❑ Established HR network and feedback
- ❑ Handling communal riots/ political influences/ strikes
- ❑ Avoid professional jealousy & keep team integrated

HR

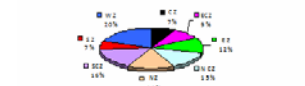
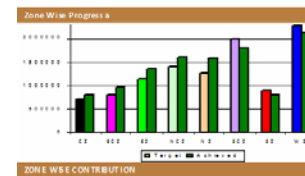
# Mission 1 Crore



It Shows how motivation can unite a team to achieve a goal, which looks impossible other



परिश्रम ही सफलता की कुंजी है।



DAILY SCORE BOARD				
TARGET	10,000,000			
UATed	11,551,000	111%		
SC1	123.00%	SC2	123.00%	118.00%
SC3	115.00%	SC4	114.00%	91.00%
SC5	94.00%	SC6	89.00%	
SC7		SC8		
SC9		SC10		
SC11		SC12		
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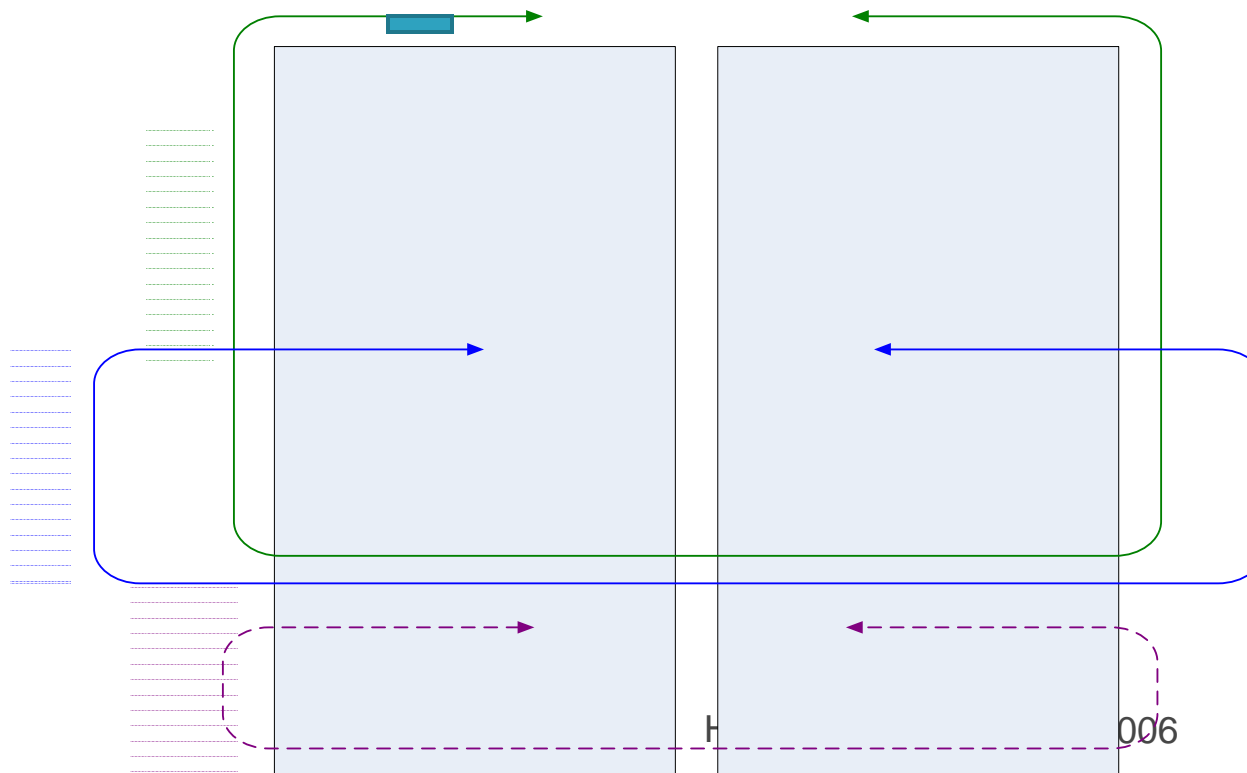


## Communication

- ❑ Distributed nature of Project acceptance needs documented communication
- ❑ Email has been accepted as communication media by this Public organization
- ❑ Daily Performance reporting across 105 Centers need structured & standardized communication
- ❑ The project is subject to 6 levels of Audit which requires authenticated communication process
- ❑ Management of  $n*(n+1)/2$  communication where this project consists of 300+ Customer personnel with 4 layer of Project Hierarchy

# 3 Tier Project Governance Structure

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# Tools & MIS

- ❑ Web based reporting tool
- ❑ Quality compliance tool
- ❑ TAT reconciliation tool
- ❑ Weekly Dash board
- ❑ Daily productivity report
- ❑ Fort nightly sign off report
- ❑ Document repository
- ❑ Helpdesk Call Report

# Risk

	Risks	Phase	Impact	Remedy
1	Idealistic plan 10K per day per site from day one	Initiation	Delay in Phase completion	Merger of Sub phase while keeping the overall time line same. Increase Production to compensate.
2	Not enough Vendor available with necessary qualification Criteria	Initiation	Startup Delayed. Capacity of existing partners choked due to the volume requirement	Parallel Vendor development initiative so that subsequent phase are covered from the risk
3	Not enough domain knowledge to start with & no gap between Pilot and actual startup	Initiation	Production to start as per contract while process, skill and team development to continue.	Taking it as sub project and allocating a team to dedicatedly focus on the same. Others to continue crisis management. Involvement of short term consulting skill.
4	Change in product may be required due to long tenure of the contract	Initiation	Delivery of incremental order is delayed. New configuration may result free supply.	Contract must incorporate necessary flexibility. We need to establish operational understanding and CR on scope acceptance through Steering committee

# Risk

## Risks –Contd...

	Risks	Phase	Impact	Remedy
5	Inconsistent Supply	Execution	Idle resources. Production and financial losses	Production optimization. Documentation and forecasting. Keeping pressure & motivation to continue the project
6	Lack of intention and infrastructure to allow final delivery at record Room	Execution	Delay in invoicing. Accumulation of centres affecting production space. Ownership of dockets till delivery is complete	Better Contractual terms and SLA commitment from Customer is required. Temporary acceptance process devised after discussion with customer top management
7	Logistics and upload challenges for locations like North east, JK & Naxalite states	Execution	Cost overrun, Turn around time failure, Project delay	Persisting for a Special Waiver based on study, analysis of the working conditions. Modifications in delivery model to take care of special conditions
8	Invoicing of 1 Cr dockets/month & Storage of documents for 3 years	Execution	Huge document reconciliation before invoicing. Record management challenges	Automate as much as possible. Implementation of OCR, ICR to facilitate

# Risk

## Risks Contd...

	Risks	Phase	Impact	Remedy
9	Customer dependency on QC motivation & perception	Control	High Rejection based on individual perception	Using best Public Relation. A sub process created for 100% final QC. Brining in objetcivity in Quality parmeters as much as possible
10	More numebr of Rollout of software than whatever was estimated	Control	Cost overrun	Creating a roll out PM & process to interface between development & other operation. A roll out schedule is published for awarness
11	Contineaeous Incremantal CR and hence lack of clarity in Order closure	Closure	While new business is welcome, internal colflcts on revenue recognistion & new order processing	Revised acceptance criterea and documentation to facilitate internal requirements. Every new order must be accepted through a contract review process.
12	Closure/termination of contract is difficult as it can not be mapped customer vs Vendor order	Closure	Non uniform order distribution to vendors can not be excatly mapped with customer order closure, resulting payments &	A close monitoring contractual completion and a formal closure process along with SOW signed with vendors

# Procurement

Strategy, planning & Analysis	Implementation
Executive consensus on appropriateness of outsourcing	This review is necessary to avoid conflicts with company policies, HR and cross functional business goals
Clear business case and rationale to outsourcing activities	Fixed + incentive based contract
Formal process to select requirement and outsourcing vendor	Formal contract and Service Level Agreement is a must. A clear set of parameters to compare vendor must be present . Joint education & training session for affected activities.
Formal governance model to manage the outsourcing	The flow of information and what to share must be clearly outlined between each other. High degree of trust is the key. Accurate and valid performance matrix.
Systematic and repetitive job to be outsourced through competitive analysis	Online MIS & reconciliation utility to track contract compliance by vendor. Formalize the IPR and ownership agreement with the vendor.
Well documented risk management plan for outsourcing	Tools like PBG, payment cycles, Back to back penalty terms to enforce compliance etc are to be used for risk mitigation and control. Formal

# A project with a social & State cause

## Claim Your benefit at any branch – a bold step by LIC

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### Claim your LIC benefit at any branch by 2011

22 Jun 2009, 09:15 hrs IST, AGENCIES

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NEW DELHI: The country's largest insurer Life Insurance Corporation, has decided to operationalise a system within two years that will allow policy holders to claim benefits and pay premium at any of its over 2,100 branches. "Premium payment can be done from anywhere in India. That's what we have done it. Now claim payment we would like to take it to any office. That's a next major issue," LIC chairman T S Vijayan said.

"Once all documents are available on the net then any office can do it. As I said it depends on the completion of EDMS (Enterprise Document Management System) project which we plan to complete by 2011," he said.

It will enable LIC to extend 'Anywhere Anytime' service, he added. The project was launched in 2007, he said, adding, HP India is the major partner. Total cost project cost for 8 years around Rs 600 crore, he said.

LIC has over 23 crore policy holders across the country. The digitization of record of these policy holders will ensure archival of physical records in electronic form and will eliminate risks of loss or damage to physical records due to natural and other disasters.

LIC is also planning to open alternate channel of premium payment, similar to the one in AP. "Many state governments are going to start e-governance initiative we are going to tap it," Vijayan said. With the role out of this initiative, a policy holder approaches for a loan after two years, the loan eligibility under all policies would be made known to customer through a single Customer ID.

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## Silent Performers – EDMS Scanning Centre working with a social cause



The physically challenged team of MDO1 & 4 are one of the top performer



# Q & A

## Acknowledgement :

I would like to thank following persons for their support and encouragement for this presentation

- Mr. Sumantra Sarkar – V.P, PMI , Mumbai
- Ms. Aishwarya Sambasivan – PMO , HP

# Best of Luck!





# Backup Slides

# Life Insurance Corporation of India

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- ❑ LIC: HQ @Mumbai, India; formed by an act in Parliament in 1956
- ❑ Largest Life Insurer in the country – in business of life insurance
- ❑ Gross Profit: US\$ 1.28bn (INR 58 billion)
- ❑ Premium collected in '05-06: US\$ 4 bn by selling 30m policies
- ❑ 2,048 branches connected to 105 Div. Offices, 8 Zonal Offices
- ❑ 1.1 million Agents (ins. advisors); 702 Corporate Agencies & 12,000 outlets through 34 channel partner banks
- ❑ Currently: 23million live policies; 1.2mn transactions
- ❑ Few overseas operations at Bahrain, England, Fiji, Mauritius, Saudi, Nepal, Sri Lanka

# Why this project

- To build a Strong Image Repository from the current Paper based file systems & integrate the same with the available Legacy systems.
- To reduce the record storage space required to house the Customer's files and other administrative files.
- To make the paper documents available in electronic form within 1-2 days of their receipt/creation/filing.
- To eliminate the need to refer to or to move paper files for normal work processes.
- To Enable the concept of Any where Anytime services through electronic files made available across the Corporation
- To make documents and files available to multiple users simultaneously.
- To store and route documents electronically and eliminating paper file management tasks.
- To enable the Corporation to gain mileage of the best available Technology & pave the way for building up future content Management Systems
- To Create a Back-up to the Paper Based Documents to serve as a DR system.
- To partially /fully Centralise the Customer File Record Management

# Project Progress Summary

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- ❑ 145m Policy scanned (~ 2B pages)
- ❑ 80+ scanning centres running across the country with 10K people working daily
- ❑ 6000 People trained through 440 sessions
- ❑ Installation & commissioning of 105 DOs & 2000+ Branch Servers across the country.
- ❑ Established monthly productivity of 10 Million Policies (~150 million pages)
- ❑ Fully Automated policy servicing for 900+ LIC Branches through this project

# generated

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- Overall TAT Scorecard



Microsoft Excel  
Worksheet

- Logistics team Scorecard



Microsoft Excel  
Worksheet

- Scanning Team Scorecard



Microsoft Excel  
Worksheet

- Uploading Team Scorecard



Microsoft Excel  
Worksheet

- Support team scorecard



Microsoft Excel  
Worksheet