

## **Approaches for Policy System Conversions. No need to fear.**

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Converting a book of business to a new system can be viewed by some as the riskiest part of a new system implementation. However, with proper time and resources, conversions need not be feared. They are all part of the system migration, which is to enable the company to improve its ROI and competitiveness. Each company needs to assess the cost, time and benefits, and if sufficient resources and time are allocated, success is manageable.

With that in mind, here's some thoughts on the pros & cons of various conversion methodologies.

### **Conversion options**

#### **Single phase conversion**

All data is converted at one time with 2 options.

a) Sufficient history levels (number of years) are converted that enables the discontinuance of the existing system.

b) The latest versions of data are converted to allow the new system to be used for all future transactions. The existing system is retained for a period of time for inquiry purposes into past transactions.

The advantages of a single phase conversion are that the required resources are used for the lowest amount of time and therefore costs. Longer conversion runs the risk of losing some resources, which need to be replaced, and leading to a lengthier task.

#### **Multi-phase conversion**

Data is segmented by line of business or territory.

a) The initial phase will encompass the installation of the whole system but will include only a portion of the portfolio. This will include Underwriting, Billing, Claims, Reinsurance, Document Issuance, Management Reporting, Financial Reporting and Bureau Filing. Each module will be tested using a portion of the portfolio. The initial phase is comparable to a single phase implementation as the whole system is tested.

b) The subsequent phases involve adding other parts of the portfolio. This mostly affects the underwriting system to ensure proper rating, document issuance etc. These are much smaller phases and can be achieved with fewer resources. The portfolio being added will need to be tested through all modules (Billing, Claims, Reporting etc.). However as these modules have already been tested the additional work is related to tracing the new transactions through the system to ensure that they are being processed correctly.

The multi-phase approach can be implemented where each phase is implemented, user acceptance testing completed and then go live as they are completed. Alternatively, each phase is completed up to the user acceptance testing and only once all parts of the portfolio have been completed is the system put into live production.

### **Full conversion versus on renewal conversion**

The portfolio is converted once or is converted as it comes up for renewal.

a) A full conversion requires that all policy, billing and claims data for that portfolio be converted at the same time. Once user acceptance testing has been completed and the system goes live all processing will be done in the new system.

b) On renewal conversion requires that the existing system is retained until there are no more policies to be renewed and all billing have been collected. In this scenario, the existing system will be used for any changes to the current and previous policy terms and the new system would be used for any changes to the renewal term and beyond. Any billings and collections will be done in the system where the policy term is managed.

A renewal conversion may be viewed as limiting the conversion risk to only the new policies and renewing policies and allowing the existing system to handle previous policy terms.

To accommodate a full conversion, the policy, billing and claims data that are related to the portfolio have to be converted all at once. This is to enable the new system to collect billings, settle claims and allow policy changes to the existing portfolio. The advantage to this approach is that all interested parties are being served by a single system. There is one common billing and reporting system instead of two systems and resulting reports. In addition there is only one system to use and users don't need to decide if they need access to the previous system or the new system.

### **General Conversion Issues**

Policy and Claims conversion are most likely to be relatively straight forward with difficulties to be addressed between the use of existing codes and new codes. These are managed by the use of mapping tables where the existing codes are looked up and the new codes applied. To support this effort and to prepare for the new system, all tables that will be used for the new system need to be defined and set up. These include areas such as policy types, billing types, coverage codes, agents, adjusters etc.

Billing and collection poses its own unique challenges where the two systems have to be compared as to how they maintain and apply billing and collection data and late payment or cancellation rules. These will have a great affect on the conversion as they need to be translated correctly by fully understanding how the current system works and converting this data with appropriate dates and codes. Areas to be addressed are when payments are deemed to be late and possibly policies cancelled.

Client based system versus Policy based systems. Where each policy contains the client data as apposed to using a client record, this is a Policy based system. To migrate from a Policy based system to a Client based system requires that all policies for one client are linked to a single client record. If the policy, billing and claims data are not linked to a common client record during conversion, this will result in multiple client records for the same client. The conversion process needs to establish a client lookup when converting policy data, where the client name and address is used to set up a client record and to be used to link policy data where the client is the same. Once a client record is established for all policy data, this can be used to link billing and claims data to the client record.

Whether a single-phase or multi-phase conversion is planned, or whether it's a full conversion or an on renewal conversion, any of these scenarios can be handled with success with careful planning.

***About Robert Symons:*** Robert is the President and a major investor in Tritech. Robert began working for an accounting firm in Montreal which managed the reporting of Lloyds business in Canada and also owned a major data centre company. This experience along with his family being heavily involved in insurance in Canada and the USA, influenced Robert to establish his own insurance data processing company in 1977. He merged this company with Gerry Meinzer to create Tritech in 1992. Robert has been involved in implementing P&C systems for more than 30 years for clients in Canada, USA, Puerto Rico, and Bermuda.

***About Tritech Financial Systems:*** A Toronto based firm, Tritech has provided enterprise technology solutions to the property & casualty insurance industry for 15 years. Tritech's clients can be found in Canada, the USA, Puerto Rico, and Bermuda. Tritech's solutions have been chosen by five of North America's 20 largest P&C companies. Companies that benefit greatly from Tritech's offering are P&C insurers, Reciprocals & Captives and MGA's & Wholesale providers with underwriting authority. For more information: [www.trifin.com](http://www.trifin.com)