

# Friends Life

## The 15-Year Deal



*Life insurer transforms U.K. marketplace with comprehensive BPO, IT outsourcing and IT facilities management deal with TCS B&NCS at the core.*

By **Kanchan Chakraborty**, Transformation Director, Diligenta, TCS



At the end of 2009, Friends Life was created from the aggregation of three U.K.-based life and pension insurance companies: Friends Provident, the U.K. life business of AXA, and Bupa Health Assurance Limited. While the strategic underpinnings for the acquisitions were sound, the complexities and costs of managing three separate legacy systems threatened to drain profitability over time.

Within the life insurance holdings of Friends Life, the biggest operational challenge was managing about 20 different varieties of closed policies, i.e. those policies no longer being sold, but that must be serviced through the life of the policies while maintaining high-quality customer service. Those closed-life policies were becoming more expensive to maintain, even as the number of policies under management declined over time.

“Every year, we need to reduce our costs in line with the reduction in the number of customers that we have, and we were finding that very difficult to achieve,” explains Robin Smith, Supply Operations Director, Friends Life.



## Long-Term Relationship

In 2010, Friends Life began searching for a single provider for both IT systems and customer service. “If we had one company looking after the customers and another looking after IT, the two companies would always be arguing with each other about who’s responsible for things going wrong,” says Smith. “We wanted a single partner with the responsibility for doing everything.”

Such an extensive mandate yielded a very short list of viable candidates. The list was made even shorter by considering just those firms with experience in the U.K. life and pension insurance markets.

Of the remaining candidates, TCS and its U.K. life and pension BPO subsidiary Diligenta made the final round of the procurement process, and ultimately won the deal.

One of the key differentiators for TCS and Diligenta was the market success of TCS BOINCNS, a comprehensive solution being used by insurance companies and other financial institutions in the U.K., in Europe, and around the world. “Some of the competitors were offering systems that didn’t really exist, or were in development,” says Smith. “The massive win for TCS was the fact that TCS BOINCNS exists.”

“We were able to see TCS BOINCNS working, and hear from other companies about how TCS managed to migrate old books of business from old platforms onto the TCS BOINCNS platform,” adds Smith. “TCS’ best business development people are other clients.”

Another selection criterion was TCS’ proven track record in delivering on the promise of transformative IT change projects for large institutions. “Many companies have tried and failed at these large change programs in the U.K. life and pensions markets, whereas TCS and Diligenta has succeeded on several occasions,” notes Smith.

In November 2011, Friends Life entered into a long-term deal with Diligenta, with terms unprecedented in the U.K. marketplace: GBP 1.4 billion over 15 years. “We already had quite a lot of experience doing these kinds of deals in the past,” notes Smith. “We just hadn’t done anything quite this big or quite this bold before, but then again, no one else has ever done anything quite this big before.”

The 15-year deal, which includes business process outsourcing, IT outsourcing, and IT facilities management, goes far beyond the typical IT transformation contract of three to five years. “Because this is such a huge investment in change and transformation in the early years, we needed a long deal to make the economics work for both companies,” says Smith. “Being that insurance is a very long-term business, we can safely enter into a long-term contract. When people take out life insurance or save for their retirement, they’re going to stick with us for decades.”

Andy Briggs, CEO, Friends Life, U.K.

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## Diligent Delivery

In the first phase of the migration, approximately 1,900 employees of Friends Life were seamlessly brought over to Diligenta in March 2012, and the transfer was overwhelmingly seen by employees as a positive career move. In addition to protecting the terms and conditions of employees’ previous positions with Friends Life as per U.K. law, Diligenta, as a multi-entity service provider and as the subsidiary to the broader TCS organization, also offers significantly greater opportunities for career advancement.

“Diligenta now employs more people than Friends Life, and we’re also part of TCS in the U.K.,” notes Steven Burke, formerly IT and Programmes Director for Friends Life and now Chief Operating Officer for Diligenta and leader of the transition effort. “There’s enormous career potential for the people making the transition.”

The next phase, scheduled through September 2013, will involve transferring data involving about 3.2 million policies and associated customers onto TCS BANCs.

The final phase of the migration encompasses the complete replacement of all three legacy solutions along with hundreds of connected applications built or acquired by Friends Life. Friends Life is scheduled to complete the entire migration to TCS BANCs by 2015.

Although Friends Life will keep most of its open policies in-house, certain open product lines will also be managed by Diligenta. These are mission-critical capabilities for Friends Life employees and business partners, as they represent the first point of engagement with new customers and prospects. Through this in-depth level of business engagement, Friends Life has demonstrated a high level of

trust in the delivery capabilities of Diligenta and the flexibility of TCS BANCs. The arrangement also opens the door to future expansions in the use of Diligenta for new products and services in the future.

Although this level of service poses a new challenge for Diligenta, the parent company – Tata Consultancy Services – will provide expertise and support along the way. “We’ll leverage the experience of TCS in transforming platforms for their clients,” says Burke.

Throughout the engagement, Diligenta will rely upon TCS’ Global Network Delivery Model™ (GNDM™), an established implementation methodology that draws upon a global team of professionals, integrated quality processes, and a multi-tiered technology infrastructure for global collaboration and risk management. “We are following a well-trodden methodology,” says Burke. “We’re not going to reinvent the wheel.”

“TCS’ previous track record was crucial in securing the deal with Friends Life,” adds Burke. “That made a huge difference to the organization’s confidence that we would be able to transform.”

Burke is excited about the potential for TCS BANCs to transform not only Friends Life, but also the U.K. life and pensions markets. “The Friends Life deal is an enormous deal for Diligenta, it’s transformational in terms of our impact in the U.K., and it wouldn’t be possible without TCS BANCs,” he says.

Friends Life will achieve advantageous positioning in the U.K. life and pensions markets based on the ability to eliminate costs in parallel with the runoff of closed-life policies. “We’ve achieved more flexibility with our cost base,” says Smith. “As our book of business runs off over time, our cost base will go down in line with that runoff.”

In addition, the Diligenta deal allows Friends Life to transfer a significant element of technology risk to the venture. “The problems with our old IT systems are now the responsibility of TCS and Diligenta,” says Smith. “We’ve agreed to a fixed price, and so we’re not exposed to typical financial difficulties involved with delivering on very big, very complex transformation projects.”

Suresh Menon, CEO of Diligenta, believes that other U.K. life and pensions firms may revisit their cost structures in light of the strategic approach taken by Friends Life. “Our aspiration is to deliver an industry-leading business model that creates strategic differentiation for our customers,” says Menon. The implementation phase has just begun, but the personal relationships between Friends Life and Diligenta employees are already on solid footing. “We’ve found the TCS and Diligenta people very easy to work with,” notes Smith. “We get on well, it’s a good relationship that’s open, honest, and friendly, and I like the people we work with.”

“Jointly, we hit our timeframes for signing the contract, and we hit our deadlines for going live with the deal,” Smith adds. “It’s been going well so far.”



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By Steven Burke, Chief Operating Officer for Diligenta



#### AT A GLANCE

**Company:** Friends Life Group plc (London)

**Business Challenge:** To migrate expensive-to-run legacy systems onto a single platform offering per-policy reduction in costs over time.

**Solution:** Comprehensive 15-year business transformation, BPO, and IT outsourcing deal with TCS BPO subsidiary Diligenta, powered by TCS BANCs.

#### FAST FACTS

- Friends Life is the 5th-largest life and pensions company ranked by U.K. market capitalization
- Friends Life has over 5 million customers worldwide.
- Funds under management: £108 billion (as at 30 June 2011)