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Celent Model Insurer 2011

Case Studies of Effective Technology Use in Insurance

This authorized reprint of a Celent report contains material excerpted from the Celent Model Insurer 2011 report which contains 26 case studies and is 76 pages long. This report was not sponsored by Infosys in any way. This reprint was prepared specifically for Infosys but the analysis presented has not been changed from that presented in the full report. For more information on the full report, please contact Celent at info@celent.com, or +1-617-262-3120.

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Content

3	Executive Summary
5	Introduction
5	What Is a “Model Insurer?”
5	What Is a “Model Insurer Component?”
5	Nomination and Selection Process
6	Client Disclosure
6	About this Report
7	Distribution
7	Nationwide Insurance
9	Leveraging Celent’s Expertise
9	Support for Financial Institutions
9	Support for Vendors
10	Related Celent Research

Executive Summary

The vision for Celent's Model Insurer research is to try to answer an apparently simple question: "What would it look like for an insurer to do everything right with today's technology?" Given the recent economic environment, this question is more applicable today than ever before. Capital-constrained insurers must leverage all available resources to meet market challenges.

The approach Celent takes to identify model insurers is to offer, at a high level, some key best practices in the use of technology across various areas of the industry—whether in components of the product and policyholder lifecycle or in general areas such as IT management, service, or business process outsourcing—that a "model insurer" would use. These areas are illustrated by case studies of specific initiatives and capabilities, selected from the many submissions and presented in this report as "Model Insurer Components."

Model Insurer Components are used to group the case studies and represent selected portions of the insurance value chain. The components represented in the 2011 report are:

- Agent portal
- Business process management
- Claims
- Distribution management
- Infrastructure/architecture
- IT management
- Policy administration
- Product design and development / rating
- Reinsurance
- Service
- Suite core systems
- Underwriting

A case study typically includes multiple examples of best practice and/or outstanding results. Celent has organized the general benefits of initiatives into categories to allow readers a summary of the major value areas of each profile. These are summarized in Figure 1.

Table 1: Common Best Practices and Results

IT Best Practices	Measurable Business Results
Use of industry standards	Higher productivity, lower staff expenses
Optimization of infrastructure	Increased revenue or market share
Positioning for future reuse	Faster cycle times and more consistent processes
Automation, STP, and system integration	Better decisions, more accurate pricing, and reduced losses
Data transparency and compliance	Decreased time to market
Improved use of channels	More efficient content management / document distribution
Risk management through proper development, testing, and project management	Improved customer/agent satisfaction
Solicitation of end user feedback and review	Improved compliance and reduction in market conduct penalties
Use of metrics	

Source: Celent

Introduction

What Is a “Model Insurer?”

The vision for Celent’s Model Insurer research is to try to answer an apparently simple question: “What would it look like for an insurer to do everything right with today’s technology?” Of course, the question is not nearly as simple as it appears. The terms “everything” and “right” mean very different things to different insurers depending on their size, the complexity of their operations and product sets, and their technological starting points.

The approach Celent takes is to offer, at a high level, some key best practices in the use of technology across the product and policyholder lifecycle and in IT infrastructure and management that a “model insurer” would use.

What Is a “Model Insurer Component?”

Of course, there is no such thing as a “Model Insurer”—every insurer does some things well, and others not as well when it comes to technology. Accordingly, Celent gathered as many real world examples of effective usage of technology as possible and then decided on a set that reflected important best practices. These case studies are presented as “Model Insurer Components”—components of a theoretical model of an insurer’s IT systems and practices.

An important note is that a model insurer component is a recognition of an insurer’s effective use of technology in a certain area, not necessarily a statement that the insurer is absolutely best in class (although some may be). Model Insurer Components are those that help insurers improve performance and meet market demands. In general, they represent the way things should be done.

Celent refines this summary of best practices and identifies new Model Insurer Components annually.

Nomination and Selection Process

For this report, Celent identified Model Insurer Components through the following process:

- Invitations and self-nomination forms were sent to over 100 insurers and 50 vendors (vendors were asked to pass the form along to their insurer clients, and allowed to work with them to nominate their initiatives) in multiple waves over the course of 2010.
- Nomination forms were reviewed by Celent insurance senior analysts, and cases that demonstrated the most effective use of technology, a clear best practices approach, and/or quantifiable success metrics were selected.
- Insurers were interviewed to review their cases and provide additional information if necessary to create the case study.
- Celent senior analysts drafted case studies, which were reviewed by the insurers for accuracy and confidentiality.

The 2011 selection process was extremely competitive. Submissions were 10% above 2010 levels, and almost all categories had multiple qualifying “winners.”

Consistent with past practice, Celent selected an overall Model Carrier of the Year for its outstanding application of multiple best practices. We are pleased to report that Farmers Insurance has been chosen to receive this recognition in 2011. An extended case study of its initiative is included as the final selection in this report.

Client Disclosure

There were no fees charged to insurers or vendors mentioned in this report. Some of the nominating vendors, and many of the selected insurers, are or have been clients to Celent’s retained advisory service. (Celent serves dozens of insurers across the globe in this capacity.) However, Celent was not directly involved in the creation or deployment of any of the initiatives that have been recognized, and no preference was given to clients in the selection process.

About this Report

This report is divided into sections for each of the Model Insurer Components of the product and policyholder lifecycle. Each section contains an overview of what makes a component important and how a Model Insurer can distinguish itself in this area through technology. This is followed by one or more Model Insurer Component case studies that illustrate the best practices discussed.

Distribution

Overview

Growth. Profitable, sustainable growth. How can insurance companies grow their business in a meaningful manner, given the current economic outlook? Celent believes that effective distribution management is an untapped area of competitive advantage.

However, this is easier said than done. No matter what geography, insurance distribution is a multichannel, fragmented, and changing landscape. Business practices are constantly innovating, but few historical approaches are “retired.” Distinguishing oneself in this area involves continuing to outperform rivals in old models while investing in new ways of bringing product to prospects. The result can be confusing and expensive.

Model Carrier Components reflect an ability to service multiple channels or to significantly change the “game.” They use technology to more effectively move information from one part of the value chain to another. Given the imperative of growth in virtually every insurer, the lessons that can be learned from this group are particularly valuable.

Model Insurer Components

Nationwide Insurance

Increasing agent productivity through sales reporting automation

Nationwide is the sixth largest property and casualty insurer in the United States. Until 2008, the sales reporting function consisted of monthly and weekly reports that had inherent issues such as lack of common data definitions, completeness of all sales platforms and products in results and timeliness of the distribution of information. The challenges presented by these issues were classic constraints - questionable data quality, lack of transparency, obsolete presentation formats, and higher inquiry/support calls.

The company, in conjunction with the system integrator Infosys, built Revenue Connection to replace this environment. The application is a data warehouse that provides quality, timely availability of data and analytics to Nationwide agents and field sales management. It consoli-

dates sales and policy information from multiple sources and uses a business intelligence platform to report, display and distribute the information. The system has approximately 20,000 users and services all of the company's distribution channels -- exclusive agents, direct channel associates, and independent agents.

To build the sales repository, ETL tools--Teradata MLOAD and BTEQ, Informatica-- pull data from 36 source systems and feed a Teradata database. A reporting tool, Microstrategy 9.3, is used to format and distribute the information.

The key functions of Revenue Connection are:

- Complete, accurate and timely delivery of sales data and analytics: agents can analyze sales and trends and identify opportunities to cross-sell to existing customers
- Sales dashboards: users have displays customized for them that are specific to their role and span of control; revenue and loss ratio information is available online
- 360 degree view of all sales data: every participant in the sales process can access analytics for company-specific sales incentive programs such as Distribution Excellence and Incentive Compensation
- Drill down capability: users can instantly view performance down to the specific policy or claim level

The availability of metrics such as direct written premium, policy in-force count, retained policy count, loss ratios, and other key insurance metrics allows agents to easily track sales growth. The use of common data definitions in the single version of the truth (in the data integration layer), provides consistency throughout the value chain. This increased availability and transparency of sales data has increased agent productivity. The dashboard view for agents has met with very positive feedback, as it provides an at-a-glance view of progress toward goals and objectives.

The Revenue Connection initiative supports the customer experience and sales growth by providing agents timely information on which to make informed decisions. The productivity gained has helped agents spend more time in the field.

Nationwide was chosen for Model Insurer because of the best practices of improved channel management, end user feedback and optimization of infrastructure.

Leveraging Celent's Expertise

If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

Support for Financial Institutions

Typical projects we support related to core business processes include:

Vendor short listing and selection. We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

Business practice evaluations. We spend time evaluating your business processes, particularly in process redesign for underwriting, claims and distribution. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

IT and business strategy creation. We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

Support for Vendors

We provide services that help you refine your product and service offerings. Examples include:

Product and service strategy evaluation. We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

Market messaging and collateral review. Based on our extensive experience with your potential clients, we assess your marketing and sales materials—including your website and any collateral.

Related Celent Research

[Model Insurer 2010: Case Studies of Effective Technology Use in Insurance](#)

January 2010

[Insurance Software Deal Trends 2010: Life/Health/Annuity Edition](#)

May 2010

[Insurance Software Deal Trends 2010: Property/Casualty Edition](#)

May 2010

[Model Insurer Asia 2011: Case Studies of Effective Technology Use in Insurance](#)

January 2011

[Still Seeing the Shadow: Groundhog Day for Legacy Modernisation \(P&C Edition\)](#)

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