

Mike Fitzgerald

Celent Model Insurer 2010

Case Studies of Effective Technology Use in Insurance

This authorized reprint of a Celent report contains material excerpted from the Celent Model Insurer 2010 report which contains 28 case studies and is 78 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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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 the maximum 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 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 portions of the insurance value chain. The components represented in the 2010 report are:

- Claims
- Distribution Management
- Infrastructure/Architecture
- IT Management
- Policy Administration
- Product Design and Development / Rating
- Service
- 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

Source: Celent

Table 1: Common Best Practices and Results

IT Best Practices	Measurable Business Results
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, reduced losses
Data transparency and compliance	Decreased time to market
Improved use of channels	More efficient document/content management
Risk management through proper development, testing, and project management	Improved agent/customer satisfaction and adoption
Solicitation of end user feedback and review	Compliance and reduction of 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 life cycle 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 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 2009.

- 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 quantifiable success metrics were selected. The 2010 process was more selective than previous years.
- 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 approved by the insurers for accuracy and confidentiality.

The 2010 selection process was extremely competitive. Submissions were 50% above 2009 levels and almost all categories had multiple qualifying “winners.”

Consistent with the practice begun last year, Celent selected an overall Model Carrier of the Year for its outstanding application of multiple best practices. We are pleased to report that Missouri Employers Mutual has been chosen to receive this recognition in 2010. 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 life cycle. 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.

Although the majority of the cases cited in this report are of initiatives in the US, nearly all are equally applicable to insurers in geographies with roughly similar conditions and business practices, including the UK, Europe, and Japan. Although Celent intends this report and future Model Insurer reports to be equally applicable to non-US insurers, US terms (e.g., “property/casualty” rather than “general insurance”) are used throughout.

Since there is a high degree of overlap in best practices for effective use of technology between life/health insurers and property/casualty insurers, Celent has combined both into a single volume to avoid unnecessary duplication. However, differences between the sectors are noted and separated where appropriate.

PMI Group

Using an advanced testing utility to improve system delivery and business results

PMI Mortgage Insurance Company's Quality Assurance (QA) team provides testing services for all 12 PMI Group IT applications. In 2008, one of its vendors announced the withdrawal of support for its existing testing product. This provided PMI with the opportunity to revisit its test automation strategy and capabilities. PMI QA undertook an assessment initiative to identify the current automation challenges and design the optimal solution for future needs.

The review highlighted the need to design a best in class test process to improve quality and reduce time to market. The PMI QA team partnered with Infosys to develop a test automation framework that supports all applications across PMI's applications landscape. The framework combines several vendor products to create an infrastructure unique to PMI that improves testing quality, accountability, efficiency, and continuous improvement.

The components of the testing environment are:

- Quality Center: A Hewlett-Packard product that combines requirements, test and defect management into a single quality platform
- Quick Test Pro (QTP): An advanced automated testing solution for creating and managing functional and regression tests
- Windows SharePoint Services: A web-based application used as a repository for PMI knowledge management repository and process documentation
- CS Diff Tool: Analyzes changes which have been made between two revisions of the same file or folder
- Databases: DB 2 and MS SQL
- Platforms: Visual Basic (client server), AS400 (midrange), and J2EE (web applications)

Several unique features of the framework combine to deliver business value. A key process involves a partnering between the IT department and business users for business capability testing. This increases test planning time, but decreases rework and increases quality. Test design and execution cycle times have been reduced by leveraging advanced utilities in the QTP package. Standardizing and automating processes have brought consistency across the application landscape that enhances execution efficiency, repeatability, and predictability. Finally, a common testing framework across projects reduces training overhead and improves resource flexibility by giving PMI the flexibility to move QA analysts across projects and applications.

Some of the key success metrics from the project are:

- 45% improvement in test scripting efficiency due to standardization and easy to use framework components
- 50% increase in automation test coverage due to improved test design, increased library functions to support additional technology components, and better utilization of tool features
- 150% improvement in execution efficiency compared to the previous automated environment, resulting in cycle time reduction and enabling effort and budget (re)allocation that increases coverage
- 85% increase in cross-utilization of professional staff across the applications landscape due to increased scripting standardization and enhanced documentation

The most significant nonquantifiable benefit realized as a part of the project is the very high degree of satisfaction expressed by PMI's business user community. This results from the improved cycle time, increased quality, and the level of standardization achieved by the new automation framework. Best practices are shared across applications and an enhanced knowledge management repository has been implemented.

PMI was chosen for Model Insurer because of the best practices of solicitation of end user feedback and review, decreased time to market, and higher productivity/lower staff expenses.

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 Model Insurer Case Studies 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 across the insurance value chain. 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

[A Snapshot of Innovation: An Insurance Market Scan](#)

November 2009

[2010 US Insurance CIO Survey: Pressures, Priorities, and Practices](#)

January 2010

[Celent Model Carrier 2009: Case Studies of Effective Technology Usage in Insurance](#)

January 2009

[2009 US Insurance CIO Survey: Pressures, Priorities, and Practices](#)

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