

ADVERTORIAL

INNOVATION

Innovation in Insurance

Driving Business Process Change Through
The Insurance Value Chain

Insurance Value Chain

INSIDE:

Sustainable Innovation Through Web Services:

**Insights from the
Chicago &
New York Events**

Produced By

Microsoft

**Insurance
Technology**

Aligning business and technology functions is not just a good idea for insurers.

Today, it's imperative.

Dennis Maroney, managing director for the insurance industry within Microsoft's Financial Services Group, says that the insurers that have achieved a significant measure of success in today's competitive market have brought together their business and technology efforts in order to create transformational business processes. "This holistic enterprise process approach, extending from reaching out to prospective clients to settling claims in a manner that builds customer satisfaction, can create major breakthroughs that competitors cannot match with piecemeal approaches," Maroney points out.

New technologies are available to help insurance companies drive business process change with solutions that are tailored to their specific needs and to help them meet their strategic goals. Savvy and successful companies have already changed their business processes, using these technologies to their best advantage. They are using mobility for on-location claims settlement, Web services to link their suppliers and XML-driven integration to launch internal business processes and workflows that speed decision making throughout the organization.

According to Kimberly Harris, insurance research director for Gartner, insurers that are bridging the gap between business and technology are beginning to see great rewards. "Aligned organizations can create an enterprise architecture that supports business flexibility. Since they are more in tune with business requirements, they can bring products to market faster, adapt to regulatory changes, better manage the new business and customer service process, and improve data management capability," Harris points out. "Overall, they are more equipped to respond and adapt to market changes than those organizations that are not aligned."

Transforming Business

Business process transformation must be sustainable, with sufficient capacity to accommodate future innovation. It also must provide the ability to respond quickly and cost-effectively to changing business conditions.

Microsoft's Insurance Value Chain is comprised of solution vendors and system integrators that provide insurers with the necessary tools to transform their businesses by joining IT and business functions. Taken individually, Insurance Value Chain members deliver expert knowledge and solutions that solve specific business needs such as wealth management or claims workflow. But, when taken together, the whole truly equals more than the sum of the parts. Through the focus on pre-integration that is the clarion call for the Insurance Value Chain, these partner solutions enable the next generation of end-to-end transaction processing. Value Chain partners have



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*Dennis Maroney,
managing director,
Microsoft Financial Services Group*

pre-integrated their solutions with ACORD/XML standards. The result is that carriers can choose from a wide range of solutions, apply a collection of the solutions to business processes, and through the focus on pre-integration, avoid the delays and costs often associated with large-scale integration efforts. Insurers benefit from speed to market for new products combined with the ability to provide efficient customer service.

"The Insurance Value Chain is not an end in itself, but a means for companies to achieve sustainable competitive advantage," says Microsoft's Maroney.

In March and April, insurance carriers in the Chicago and New York metropolitan areas heard business process transformation success stories at two events, co-sponsored by Microsoft and Insurance & Technology magazine. The events, "The Insurance Value Chain: Driving Process Improvement," drew the majority of the carriers in their area; the Chicago event hosted the majority of the P&C carriers in the Midwest and the New York session attracted the key life insurers in the tri-state area.

"Judging from what we've seen in these meetings, insurers are really aligning technology and business together," says Maroney. "The case studies that technology leaders presented—or just the pure actions companies are taking for proprietary advantage—indicate that the industry is moving rapidly to derive competitive advantage from these integrated technologies and solutions."

A key presenter at Chicago's session was Jane Koppenheffer, CIO and vice president of information technology for Penn National Insurance, a mid-sized P&C carrier that sells through independent agents. Koppenheffer spoke on how her company used Microsoft® .NET connection software to build a fully functional Web site.

Koppenheffer needed to update Penn National Insurance's Web site, using existing resources, while adding additional functionality and working quickly. Penn National Insurance used .NET to re-design its Web site while using the openness of Microsoft's platform to reach out to Value Chain partner

Rackley Rating to provide agency quoting capabilities for both personal and commercial lines. The insurer found that the new site enjoyed a high degree of agency

usage, with skyrocketing growth in Web site activity, Web phone payments and online agency quoting. The new and highly efficient Web site also affords the company real productivity gains.

"For a mid-sized carrier, the importance of being able to build a professional looking Web site with the functionality

that the larger companies offer with competitive differentiators and strengths that a regional company can have is really important," Koppenheffer says. "Microsoft .NET allowed us to build very reusable components. So with a lean staff, we can build something once and use it multiple times. That allowed us to get to market quickly and to be able to bring out new features on a very timely basis."

New entrants traditionally outside of insurance now look to this industry as an attractive marketplace, and they've aligned their business processes to take advantage of the opportunities. Many are focused on the wealth management space.

According to Kevin Clay, president of Impact Technologies, many of these new entrants—including Smith Barney and Morgan Stanley—have implemented the company's tools. The company's newest solution is PlanLabX3, a complete .NET-based enterprise solution that streamlines the financial planning sales process. The solution serves the needs of all advisors whether single need transactional sales for the emerging affluent or comprehensive planning for the high

net worth client seeking a more traditional wealth management solution. "Our standards-based solution is a perfect fit for these companies because it's specifically designed to maximize the consultative sales process," says Kevin Clay, Impact

Technologies president. "By streamlining the sales and planning processes, advisors spend more time face-to-face with the client, which leads to greater customer satisfaction."

Business process transformation is not just limited to insurance and can help even the largest and most powerful of financial services organizations expand their business. One such organization, The Depository Trust & Clearing Corporation (DTCC), worked together with Microsoft Value Chain partner Blue Frog Solutions to allow Blue Frog to create a solution that would help customers more easily connect to DTCC's Insurance Processing Services (IPS).

Through Blue Frog's XML standards-based ADMServer and its IPS connectivity module, carriers and distributors can more easily connect to DTCC and use its IPS. Blue Frog's solution acts as the link for carriers or distributors to map their own systems to exchange data with DTCC.

Looking Toward the Future

The high attendance level at the Microsoft/I&T events underscores that insurers are interested in looking at how business transformation can help them increase efficiencies

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"The attendance and interest we had at both events is evidence that insurers are looking seriously at how they can align their business and IT areas," he adds. Maroney anticipates that Microsoft's creation of the Insurance Value Chain will attract the industry's largest solution providers. "We're looking forward to continuing to work with large and innovative companies that have made a real commitment to the Insurance Value Chain concept," Maroney says. For example, he points out, one partner, EDS, has embraced the concept and is expanding its relationship with Microsoft in several ways.

"In the value chain, EDS provides the platform support for a number of the different software solutions," says Scott McConnell, vice president at EDS. "As companies continue to come to EDS and ask for help with their business process outsourcing (BPO) needs, we will increasingly look toward Microsoft and the partners in the Value Chain to assist us in this endeavor."

The types of activities EDS is initially involved with include hosting and supporting the applications. Another activity is EDS' legacy migration services. "EDS has a set of services that are focused on legacy migration, and in particular, legacy migration onto Microsoft .NET. We have a .NET factory that EDS and Microsoft have jointly put together that focuses on old COBOL applications, and helps clients do that migration onto .NET," McConnell explains.

Another large industry player supporting the Insurance Value Chain is Hewlett-Packard, which is readying a mobility offering in conjunction with Microsoft. According to Richard Holling, Worldwide Segment Lead, Insurance, for Hewlett-Packard, Microsoft and HP are working together to bring cost-effective, agile solutions to the insurance marketplace.

"HP sees Microsoft technologies as key components in its arsenal to create its Adaptive Enterprise vision for insurance companies. Today we are beginning to support the Insurance Value Chain to bring clients real business value. Over time this will cover all key business processes," Holling says. "The use of new mobility platforms such as the Tablet PC linked by XML standards to the claims office is a good example. This technology is ideal for insurance professionals, be they claims assessors, agents or brokers."

Microsoft Supports Industry Standards

Microsoft considers its affiliation with ACORD to be critically important. The company is a staunch supporter of industry standards, which leads to an improved level of interconnectivity among insurers.

In response to feedback from ACORD members during its Strategy Study in 2003, several major initiatives are underway that will further enhance member support and services as well as communications with its members, according to Ron Dudley, vice president of ACORD. "We will implement new collaboration tools to support external and internal discussion

groups and file sharing of standards documentation. We will also develop online education courses to be available to our members starting with basic knowledge of the various data standards," Dudley points out.

ACORD will also convert its library of static forms to fillable forms that can be completed online, then saved locally on an agent's computer. The fillable forms, available only to ACORD's Advantage agents, will be accessible through the ACORD Web site or directly through forms solutions such as Microsoft's InfoPath 2003. Through this approach, forms only need to be filled out once; the data is shared automatically and seamlessly via XML Web services.

InfoPath, the newest part of Microsoft Office Professional Edition 2003 Enterprise Edition, is an information-gathering application that can gather and send, or receive and read, XML data from a Web service without having to first translate the data to the XML format. InfoPath allows insurers to generate "smart forms," eliminating the need for agents, carriers and third parties to send and re-key paper forms and enabling them to send data with full security and routing.

"As the technology world around us continues to change, ACORD must keep abreast of technology standards that will impact the development and implementation of our insurance data standards," Dudley says. "To ensure we stay up to date, we continue to participate on technology bodies such as WS-I and W3C, as well as to collaborate with our members and committed industry providers such as Microsoft on the broad issues of Web services security, infrastructure protection, compliance and patch management."

Microsoft is working aggressively on an architectural approach and toolkit to showcase the value of ACORD standards and the latest in Microsoft Office productivity and Web service technology, according to Josh Lee, Microsoft's technology strategy director for Financial Services.

"These architectural patterns, Web services and standards will be available in the early summer of 2004 as a reference architecture for using ACORD forms directly from the Microsoft InfoPath 2003 application," Lee explains. In addition to capturing the data in the Office environment, Microsoft will showcase the latest in Web services innovations for the processing of that data and integration into existing applications and systems.

In the future, carriers will increasingly place their business with companies that understand the importance of business processes, according to Frank X. Sentner, director of strategic technology for The Council of Insurance Agents & Brokers. "Those insurance carriers that have aligned their business and IT processes are the ones that will reap the benefits of increased revenue because it will be significantly easier for our member firms to work with them."

As commercial brokers realize the potential of Microsoft's technologies to help them transform their businesses in today's market, the relationship between Microsoft and The Council will increasingly expand, notes Ken A. Crerar, president of The Council. "We continue to be impressed by Microsoft's commitment to standards and its support of The Council in its efforts to create a more efficient marketplace," says Crerar.

"As businesses continue to transform themselves, the openness and responsiveness of the Insurance Value Chain's partner solutions will lead increasingly to Web services becoming the dominant method that companies use to create alignment between their business processes and IT," Microsoft's Maroney says. "This will result in sustainable competitive advantage for those innovators both now and in the future."

Microsoft's series of advertorials, spotlighting its partners in the Insurance Value Chain and their work, can be seen in each monthly issue of Insurance & Technology magazine, or at www.insurancetech.com/msvalue.

To see innovative new technologies from Microsoft and its partners, visit Booth 901 at the ACORD LOMA Insurance Systems Forum, May 23-25, at Paris/Bally's Hotel, Las Vegas.

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