

Fewer People, Improved Productivity -- Thanks to Business Process Management

ACORD LOMA Insurance Systems Forum

May 2004

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We specialize in seniors



Agenda

- Company Overview
- What is BPM?
- Business Drivers for BPM
- Implementation Process
- Benefits Achieved
- Key Learning's
- Where we are today with BPM

Company Overview

■ Bankers Life & Casualty

- ✓ Founded in 1879. Celebrated 125th year anniversary in January of 2004
- ✓ Headquartered in Chicago, IL
- ✓ Vision: To be the leading provider of financial security for seniors
- ✓ Products include long term care, life, annuities and Medicare supplement
- ✓ Bankers markets and distributes through career agent sales force
 - 143 Branch Offices
 - 48 States Covered
 - +3,700 Agents
- ✓ Over 1,000,000 Policies in Force

■ Colonial Penn Life Insurance Company

- ✓ Established in 1959
- ✓ A leader in providing simple and affordable life insurance products to the senior and near-senior (ages 45 – 85) markets
- ✓ Markets products directly to the customer
- ✓ Headquartered in Philadelphia, Pa
- ✓ Over 900,000 Policies In Force



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What is BPM?

- Business Process Management

Gartner states...

“BPM is the general term for the services and tools that support explicit process management (such as process analysis, definition, execution, monitoring and administration), including support for human and application-level interaction.”

- Functions of a BPM tool as identified by Gartner

- ✓ Graphical tool
- ✓ A runtime execution engine
- ✓ Agility facilities - the enablement of inflight adjustments for flow, worklist management and work priorities
- ✓ Tools to monitor and manage the flows
- ✓ Tools for post-completion analysis

- Convergence ahead



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Business Drivers

- Improved Processing Efficiencies
 - ✓ Streamline work processes
 - ✓ Automate Policy Assembly
 - ✓ Improved Metrics
 - ✓ Management of Work-in-Progress

- Enhanced Customer Service
 - ✓ Improve first call resolution

- Reduced Unit Costs
 - ✓ Efficiency improvements
 - ✓ Enables Outsourcing

BPM Project Initiation Overview

- Definition of functional and technical requirements
 - ✓ Web based
 - ✓ User friendly

- RFP process
 - ✓ Identified requirements across the enterprise
 - ✓ Narrowed to 5 vendors
 - ✓ Completed Proof of Concept with each vendor
 - ✓ Narrowed down to 2 vendors
 - ✓ Performance testing

- Engaged a Systems Integrator with Re-engineering experience
 - ✓ Re-engineering experience
 - ✓ Insurance Experience
 - ✓ Managed the RFP process

- Identified initial project – New Business & Underwriting at CPL
 - ✓ Six Sigma project - Fast Track

BPM Project Execution Recap for New Business & Underwriting



- Installation & Training (4 months) May – Sept 2002
 - ✓ BPM tool
 - ✓ Imaging tool
 - ✓ Integration tool
 - ✓ Source Control Management system
- Review of Current Process and Redesign (3 months) June - Sept 2002
 - ✓ Use Fast Track as a base for current process
 - ✓ Redesign in BPM product
- Development (3-4 months) Sept - Dec 2002
 - ✓ Scan & Capture and Integration in-house
 - ✓ JAVA development completed by SI
- Systems Testing (2-3 months) Nov - Jan 2003
 - ✓ Many Open systems issues encountered
 - ✓ Testers overwhelmed
- Acceptance Testing (3 months) Jan - Mar 2003
 - ✓ Temps covered Production
- Training (2 months) Feb - Mar 2003
- Implementation for New Business & Underwriting at Colonial Penn – March 2003

Benefits Achieved

- Implemented in New Business & Underwriting at Colonial Penn
 - ✓ Reduction in Underwriting FTE's (2 FTE's)
 - ✓ Reduced Underwriting days by 50% (from 3-5 days to 1-3 days)
 - ✓ Improved first call resolution for New Business
 - ✓ Automated Policy Assembly (reduction of 2 FTE's)

- Outsourced over 20 Policy Holder Services Functions
 - ✓ Call Sheets
 - ✓ Error reports from legacy applications
 - ✓ White mail
 - ✓ Opt Outs / Culls

- Improved Metrics and Work Management

Key Learning's

- Do Not “OVER” Re-engineer
 - ✓ One touch
- Complications of testing
 - ✓ Scan & Capture
 - ✓ Integration – many systems
 - ✓ Flow Testing
 - ✓ Legacy Testing
- Identify pre and post metrics and reporting while in design
 - ✓ Rep level, plan level, and other company needs – IE. Marketing, Actuarial etc..
- Going from a Mainframe environment to an Open systems environment
 - ✓ Tools not readily available
- Importance of a Cross-Functional team from initiation to implementation
 - ✓ Commitment of resources
- Ability to Phase / Breakdown Projects
 - ✓ Minimize risk
 - ✓ Quicker deliverables

Where we are today with BPM

- New Business Simplification at Colonial Penn – June 2004
 - ✓ One-touch approach
- Phase III of Policyholder Services at Colonial Penn – July 2004
 - ✓ Complete offshore work
- LTC Claims processing at Bankers – in Production May 2004
 - ✓ In ramp up mode
- Phase IV of Policyholder Services at Colonial Penn – 4th Quarter 2004
 - ✓ Complex PHS transactions
- New Business Reinvention at Bankers – May 2005
 - ✓ From submissions to commission
- Enterprise Content Management Strategy – ongoing
 - ✓ Document – Capture, Repository, Generation, Management,
 - ✓ Web Content Mgt, Workflow (BPM), Enterprise Output Mgt
- Transitioning work for J2EE development and support of open systems in-house
 - ✓ Application development & Source Control support
 - ✓ App Server Support & Unix Support



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LIFE AND CASUALTY COMPANY

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