



The Insurance Industry Landscape: Strategy. Vendors. Partnerships.

TRUST.
INNOVATION.
RESULTS. 

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The Power of Knowledge

Presentation Objectives

Bridge the gap between Software Vendors and Insurers.

- ◆ Who is getting results?
- ◆ What do insurers expect of their vendors?
- ◆ When do we expect trends to materialize?
- ◆ Where are insurers struggling in their operations?
- ◆ How can insurers maximize their use of IT?



The Insurance Industry Landscape

◆ Strategic Objectives

- ✓ Shareholder Value

- ✓ IT and Business Alignment

◆ The State of Insurance Software Vendors

◆ Definitions of Success: Case Studies

“How do insurers gain competitive advantage with the use of technology to grow shareholder value?”

Strategic Objectives:
Shareholder Value

Six Priorities to Drive Shareholder Value

◆ Profitability

- ✓ Achieve profitable and sustainable growth

◆ Operations

- ✓ Streamline processes and reduce manual intervention

◆ Governance

- ✓ Integrate risk management into day-to-day operations

◆ Distribution

- ✓ Increase profitability and create economic value

◆ Customer Service

- ✓ Improve interactions and responsiveness

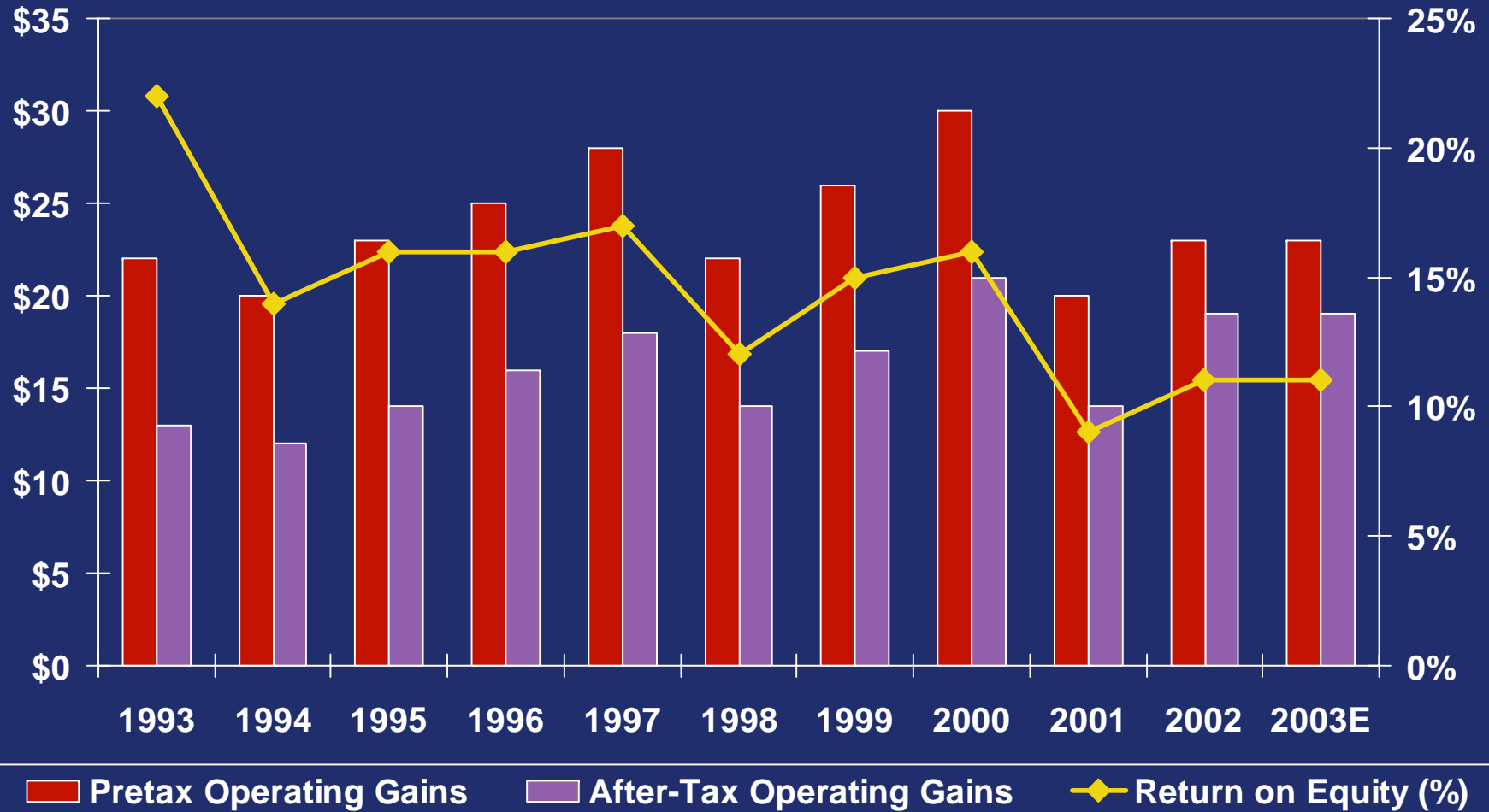
◆ Outsourcing

- ✓ Plan to be more efficient and manage cost control

Shareholder Value: L&H Profitability

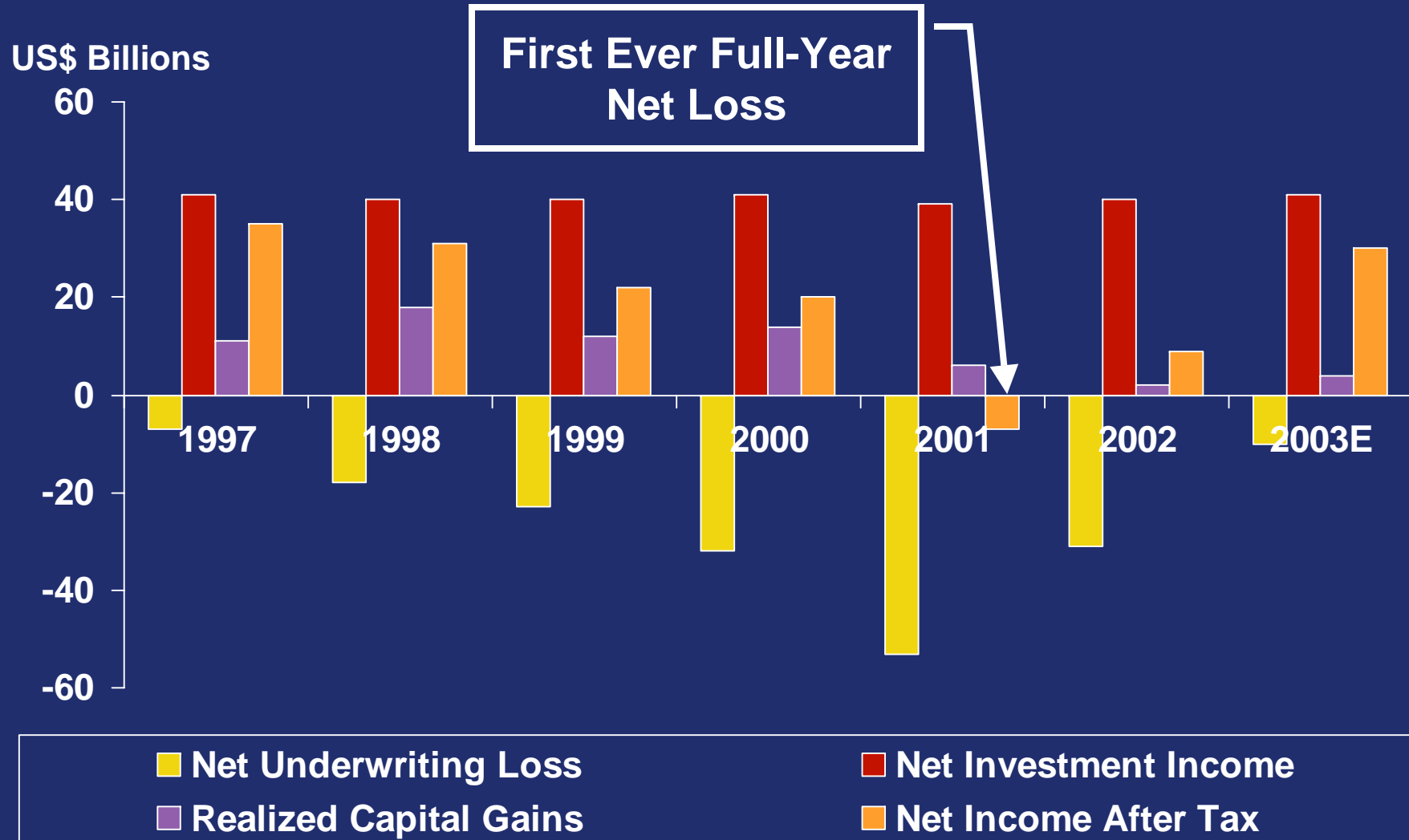
Operating Gains (in US\$ Billions)

Return on Equity



Source: TowerGroup based on A.M. Best Company Data

Shareholder Value: P&C Profitability

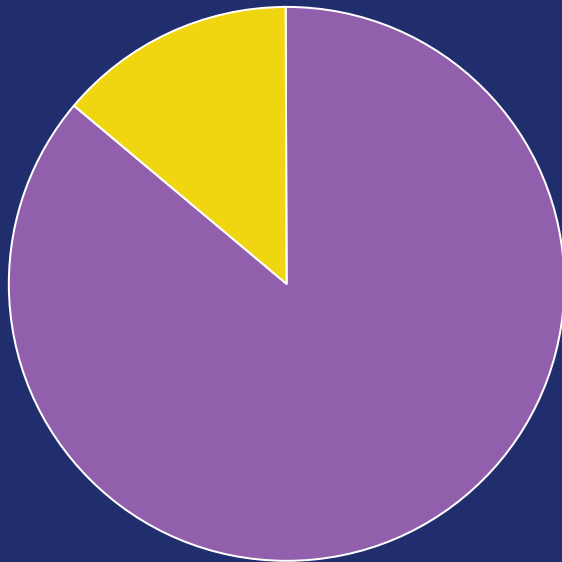


Source: TowerGroup based on A.M. Best Company Data

Shareholder Value: Operations

“Improved insurance operations are the best route to strong profitability.”

Disagree
14%



Agree
86%

✓ Reduce the amount of capital needed

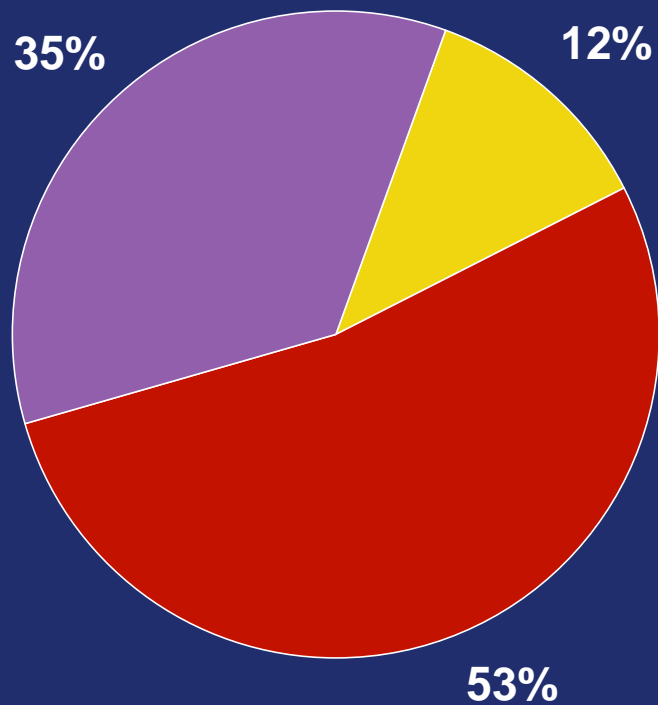
OR

✓ Raise profitability of the insurance operation

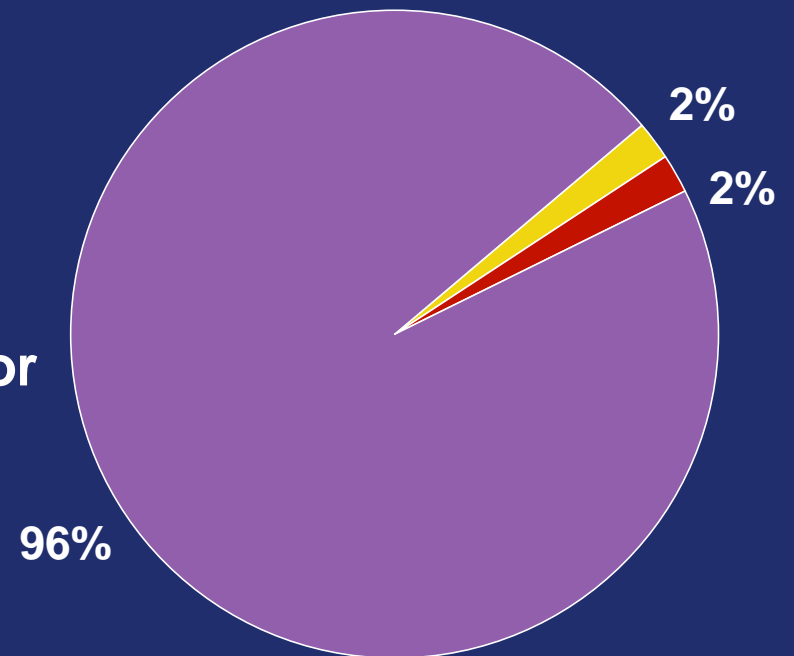
Shareholder Value: Governance

“Describe your approach to enterprise risk management.”

Current State



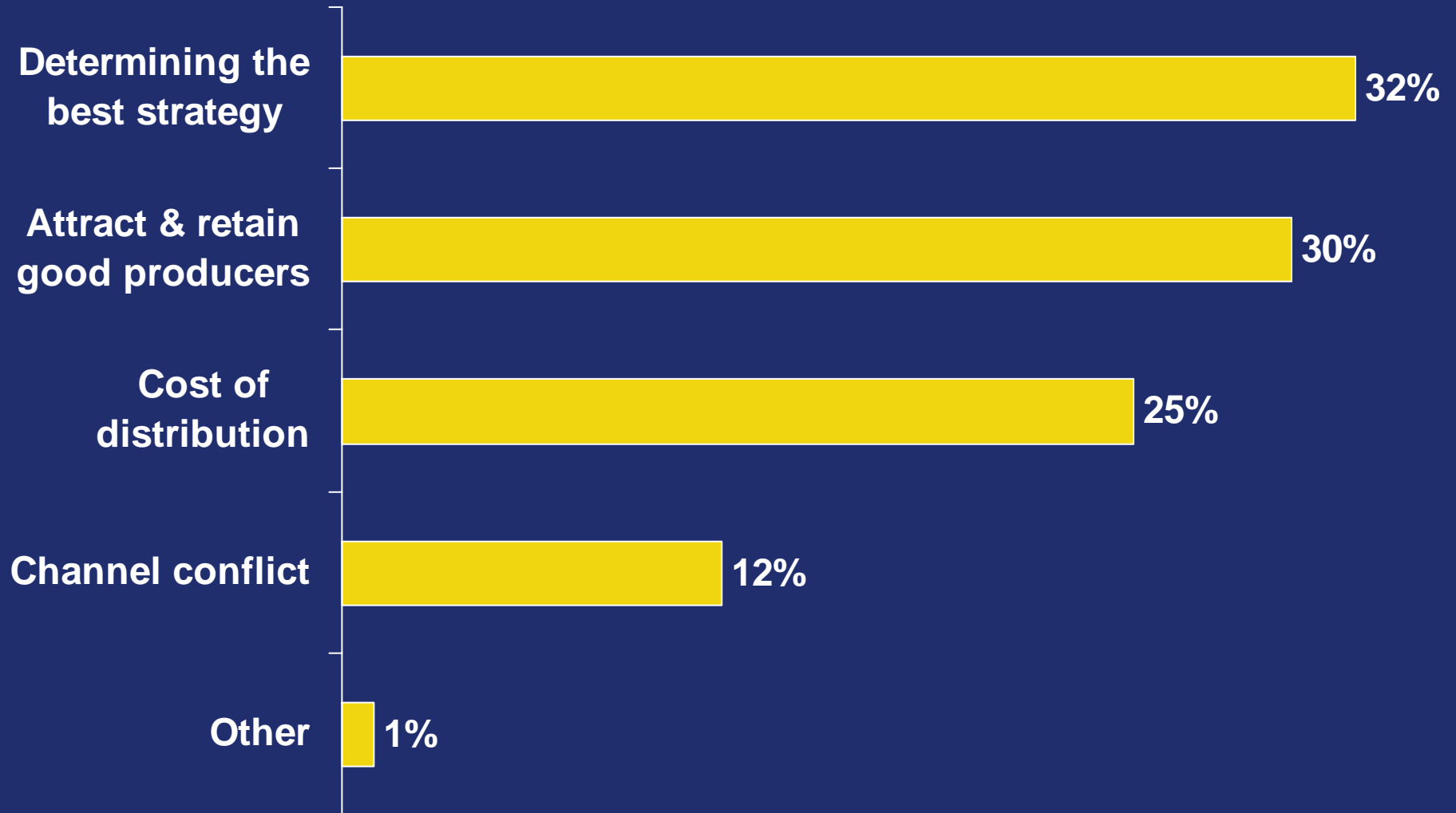
5-Year Objective



- Reactive
- Neither/Nor
- Proactive

Shareholder Value: Distribution

“What is the biggest challenge with distribution?”



Source: Deloitte & Touche 2003 survey, “Back to the Business of Insurance”

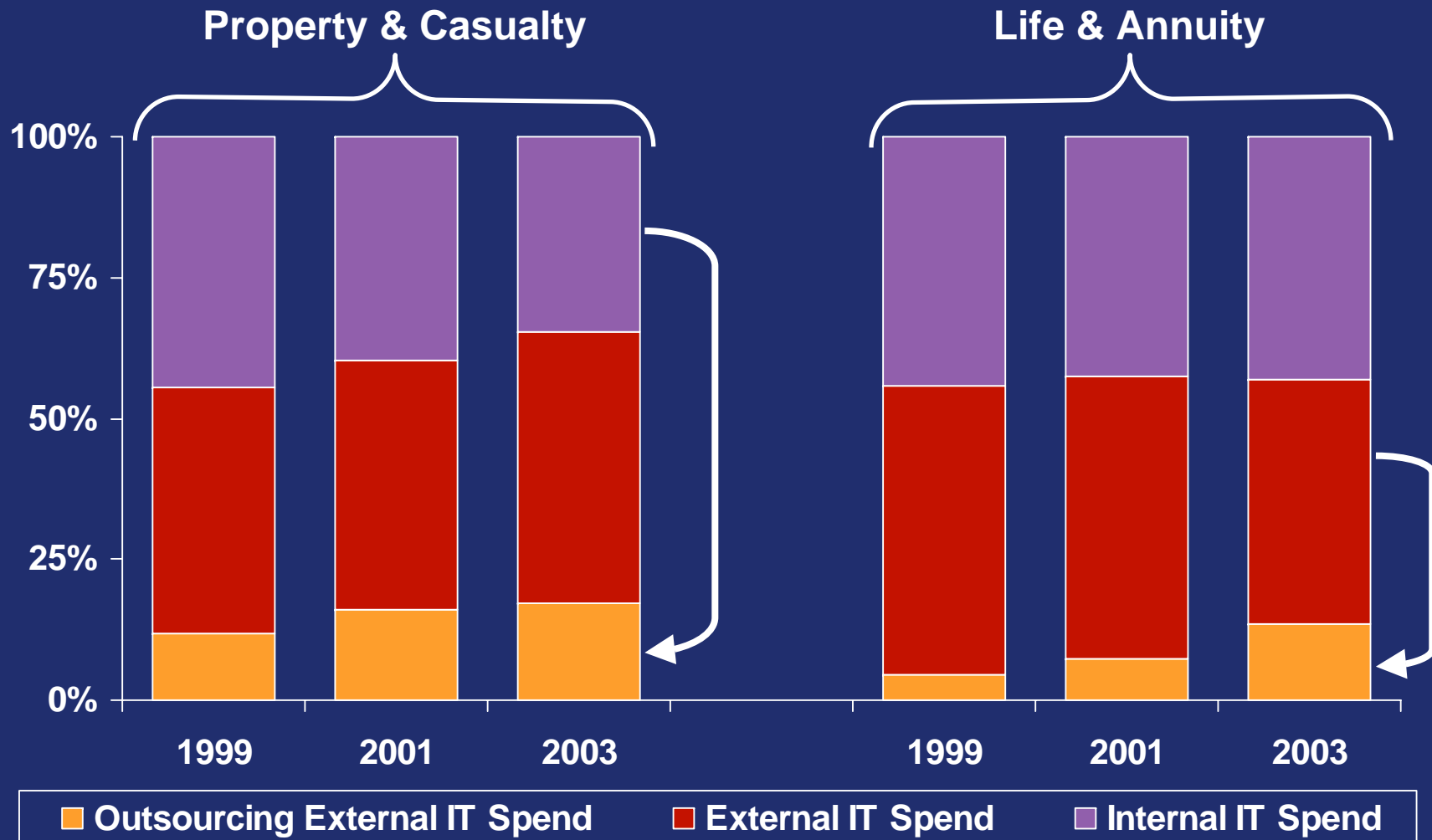
Shareholder Value: Customer Service

Profit margins closely correlate to economic value



Shareholder Value: Outsourcing

Spending estimates as percentage of total IT spend



Source: TowerGroup

Strategies to Drive Shareholder Value

◆ Profitability

Increased use of more sophisticated financial modeling techniques and uses of data.

◆ Operations

Cost control is achieved from business efficiencies and workflow enhancements.

◆ Governance

Enterprise risk management will incorporate non-financial risks to align key fundamentals.

◆ Distribution

A closer examination of distribution profitability will drive more formal alliances.

◆ Customer Service

The contact center will evolve to personalization for greater customer retention and growth.

◆ Outsourcing

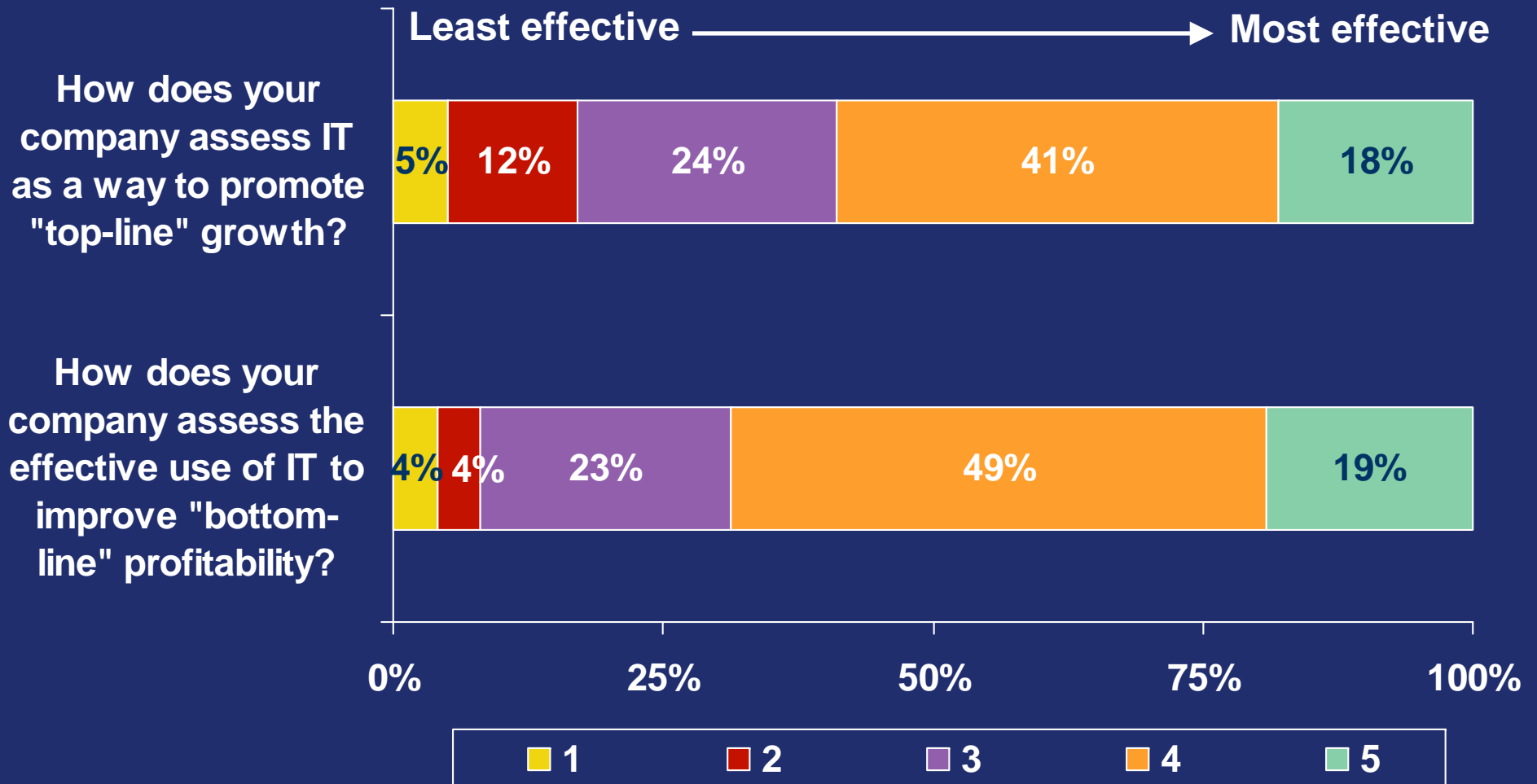
Strategic decisions to focus on core businesses will mature the services industry.

Weaknesses Exposed by Market Demands

- ◆ Incompatible systems
- ◆ Aging systems, disparate processes
- ◆ Patched & layered applications
- ◆ Complex integration challenges



Technology Is Critical to Core Business

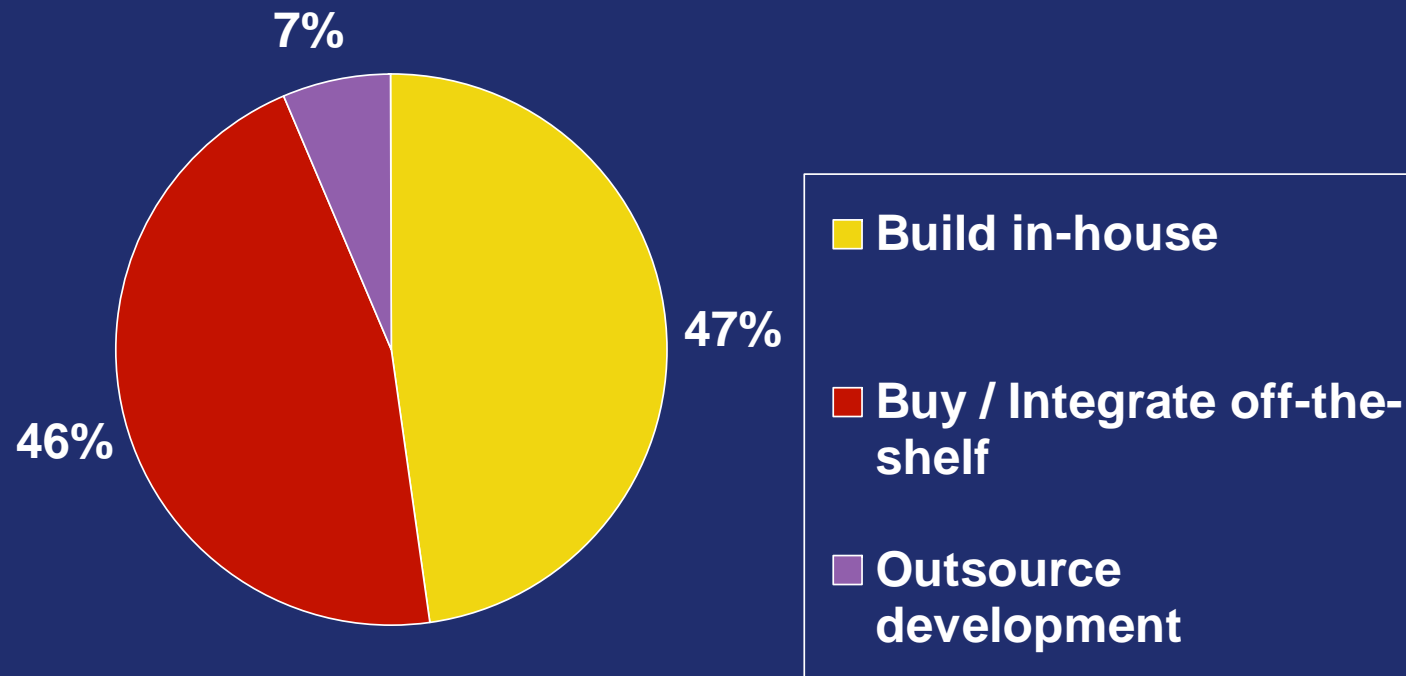


SCALE: 1 = "least effective" to 5 = "most effective"

Source: TowerGroup based on Deloitte & Touche 2003 survey, "Back to the Business of Insurance"

Technology Is a Core Investment

- ◆ Resources for Internal development are strong
- ◆ Spend effectively to drive profits
- ◆ Achieve business efficiency and enhancement



Source: TowerGroup, Bests Review Technology Survey 2004

Technology as the Strategic Foundation

Insurers must proactively address industry challenges

Disruptive Forces

IT/Business Alignment

- ✓ Increasingly complex and onerous regulations
- ✓ Market maturation and convergence
- ✓ Escalating costs in infrastructure
- ✓ Volatile earnings and revenue growth

- “**Leverage**” existing resources
 - ✓ Maximize investments
- “**Buy**” best solutions for needs
 - ✓ Take advantage of new technology
- “**Build**” as needed
 - ✓ Open the architecture
- “**Transform**” the value chain
 - ✓ Reengineer processes

The State of Insurance Software Vendors

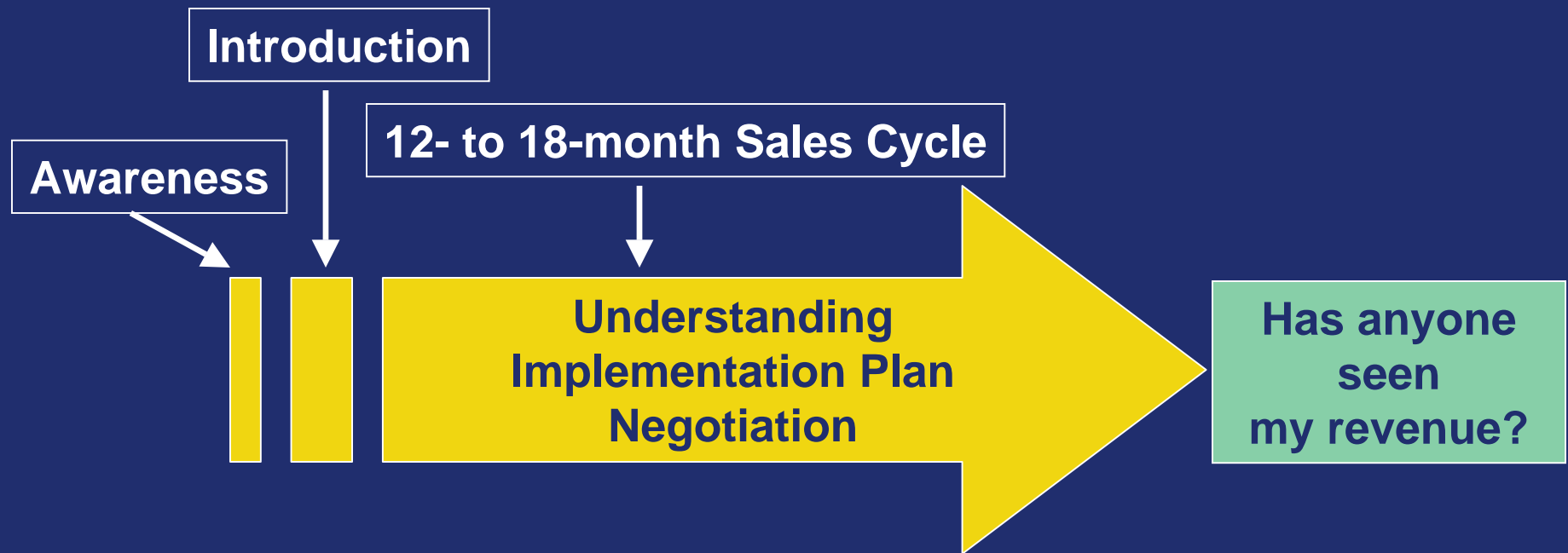
Traditional Business Model Is No More

- ◆ **Generic software vendors are losing ground**
- ◆ **Insurers are buying solutions and services**
 - ✓ **Technology is a part of the sale**
- ◆ **Insurers demand experience, look for credibility**
 - ✓ **Industry knowledge and implementation**
 - ✓ **Business processes**



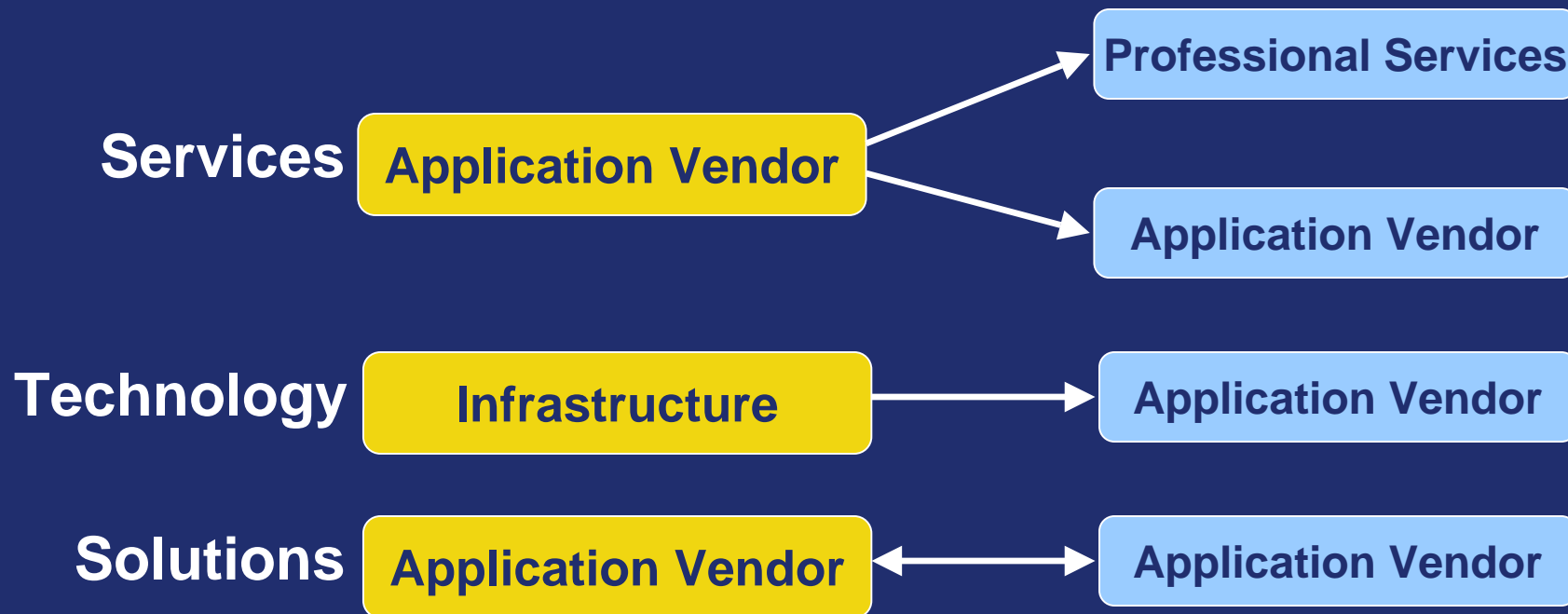
Vendor Sales Cycle Is Lengthy and Laborious

Financial stability is imperative to support sales of product and services



Software Vendor Delivery Models

Partnerships are commonplace. It's what you do with them that matters.



Maturing from Vendor to Partner

Migrating to a software and services model

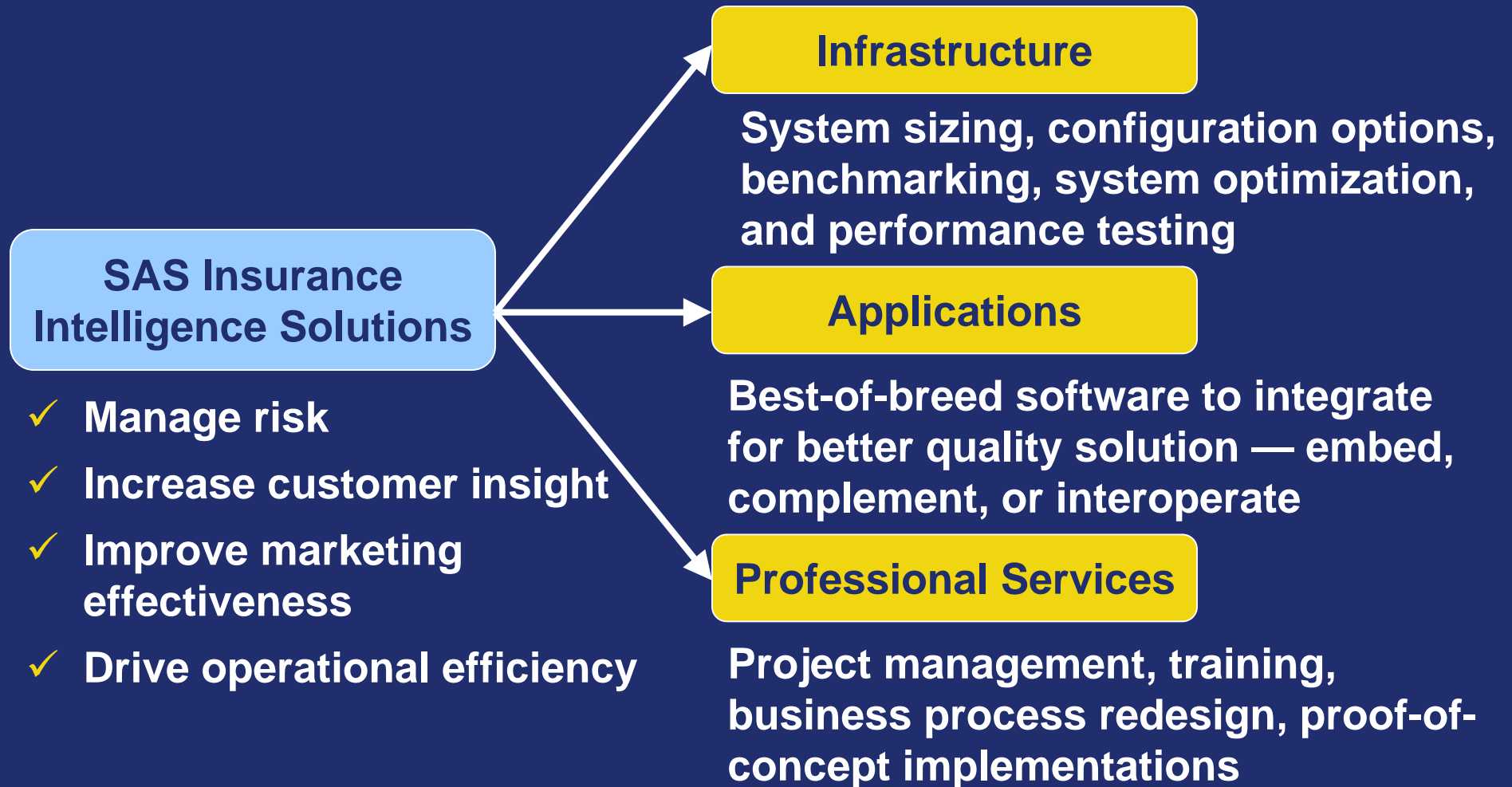
- ◆ Knowledge of insurance IT architecture
- ◆ Understand business and work processes
- ◆ Deliver detailed implementation plans
- ◆ Guidance on core system re-engineering

“How do insurers gain competitive advantage with the use of YOUR technology to grow shareholder value?”

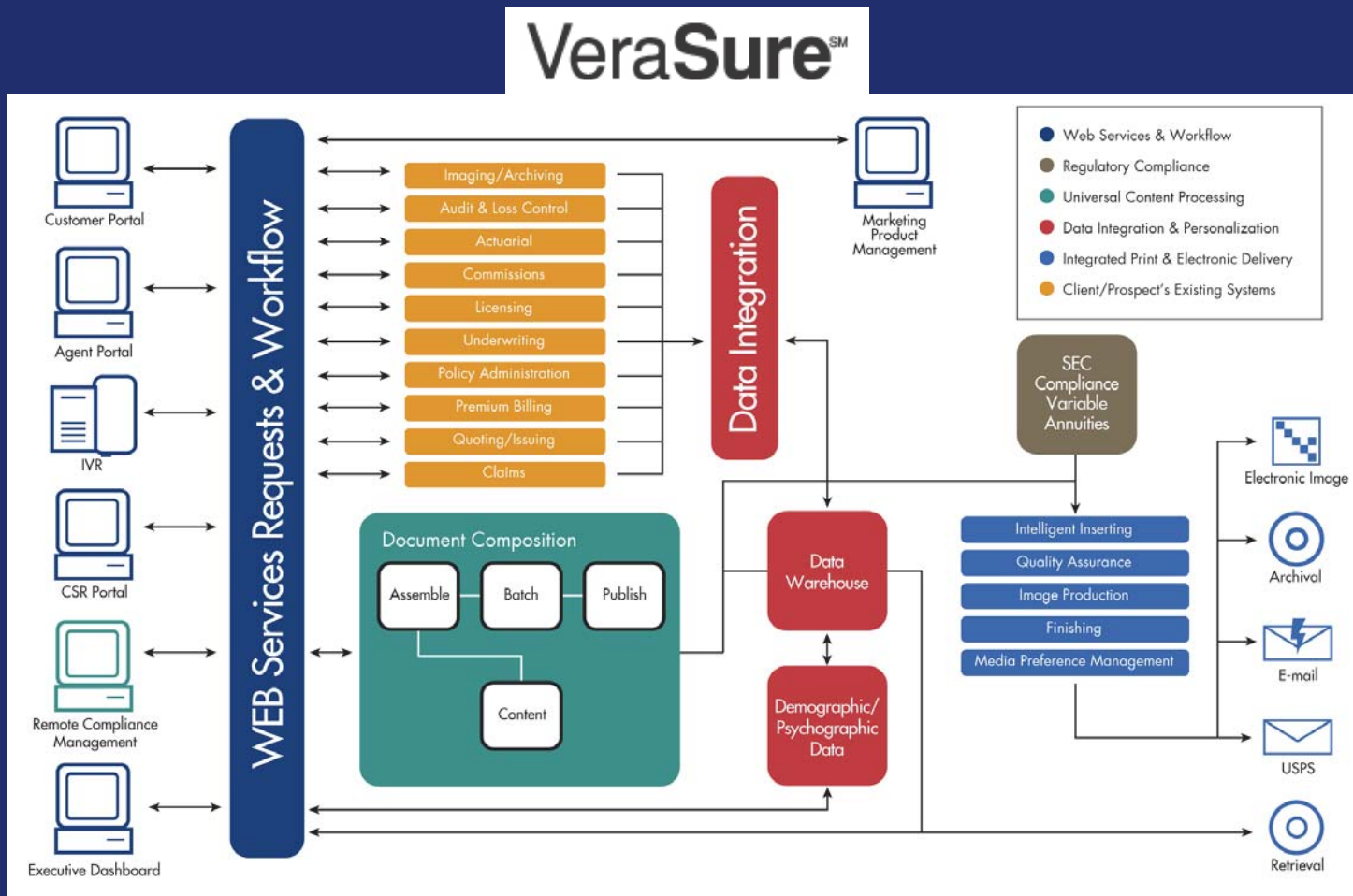
Case Studies:
Strategy. Vendors. Partnerships.

Modeling Techniques and Data Usage

Provide the best quality services and support



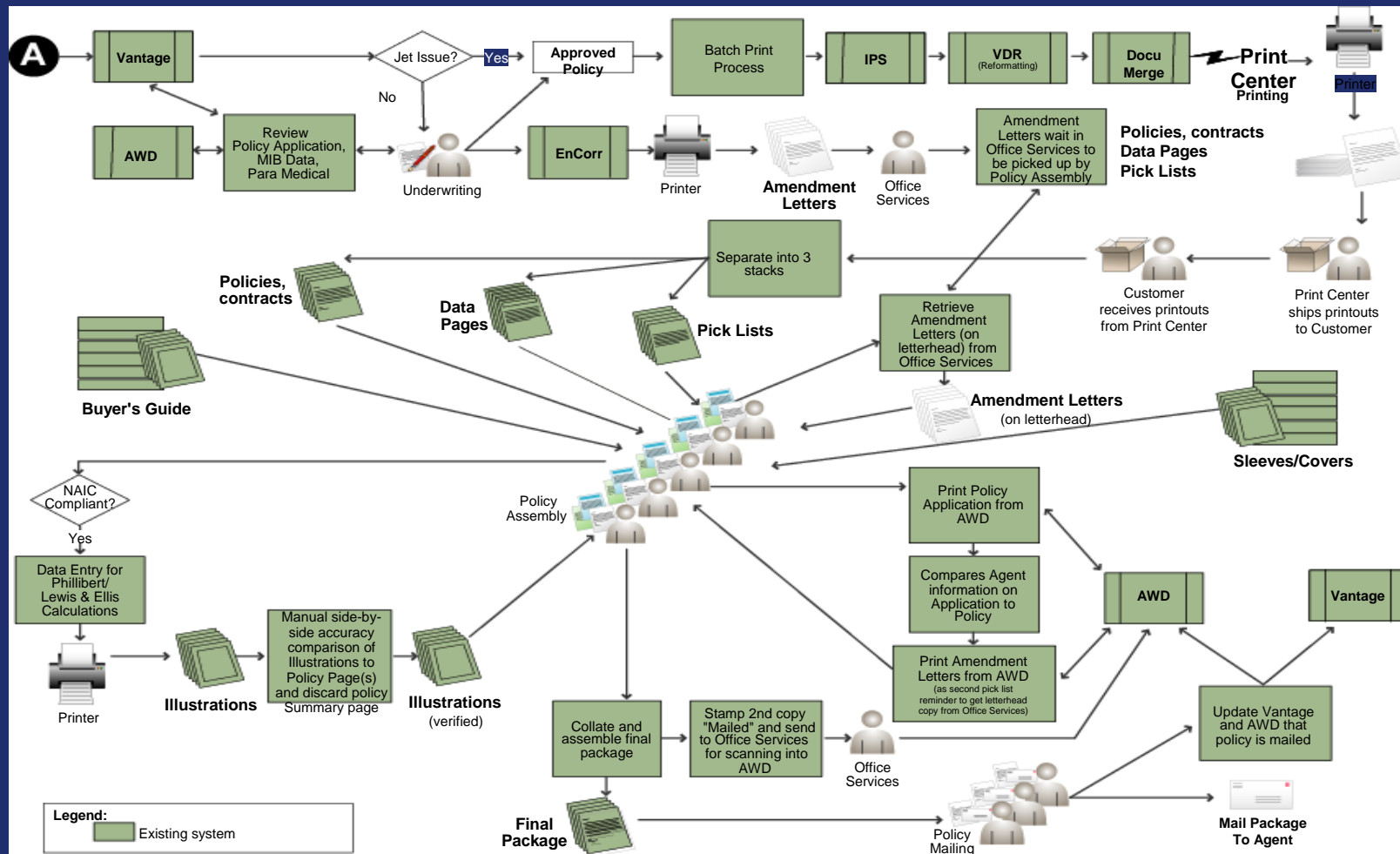
Business and Workflow Efficiency



Source: VeraSure

Take a Close Look at Current Operations

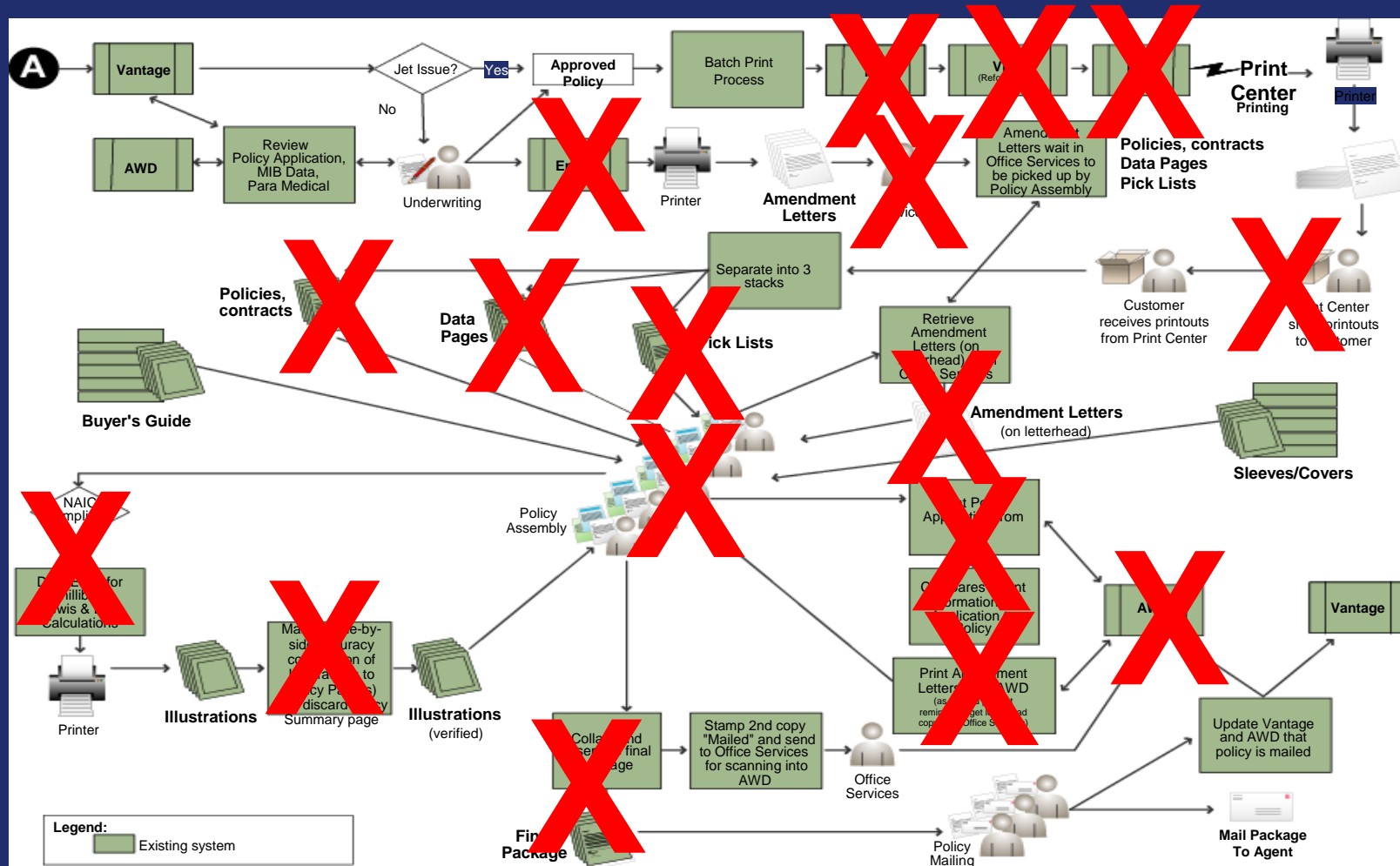
Midwest Insurer Case Study: Before VeraSure



Source: VeraSure

Can We Drive Cost Out of the Operation?

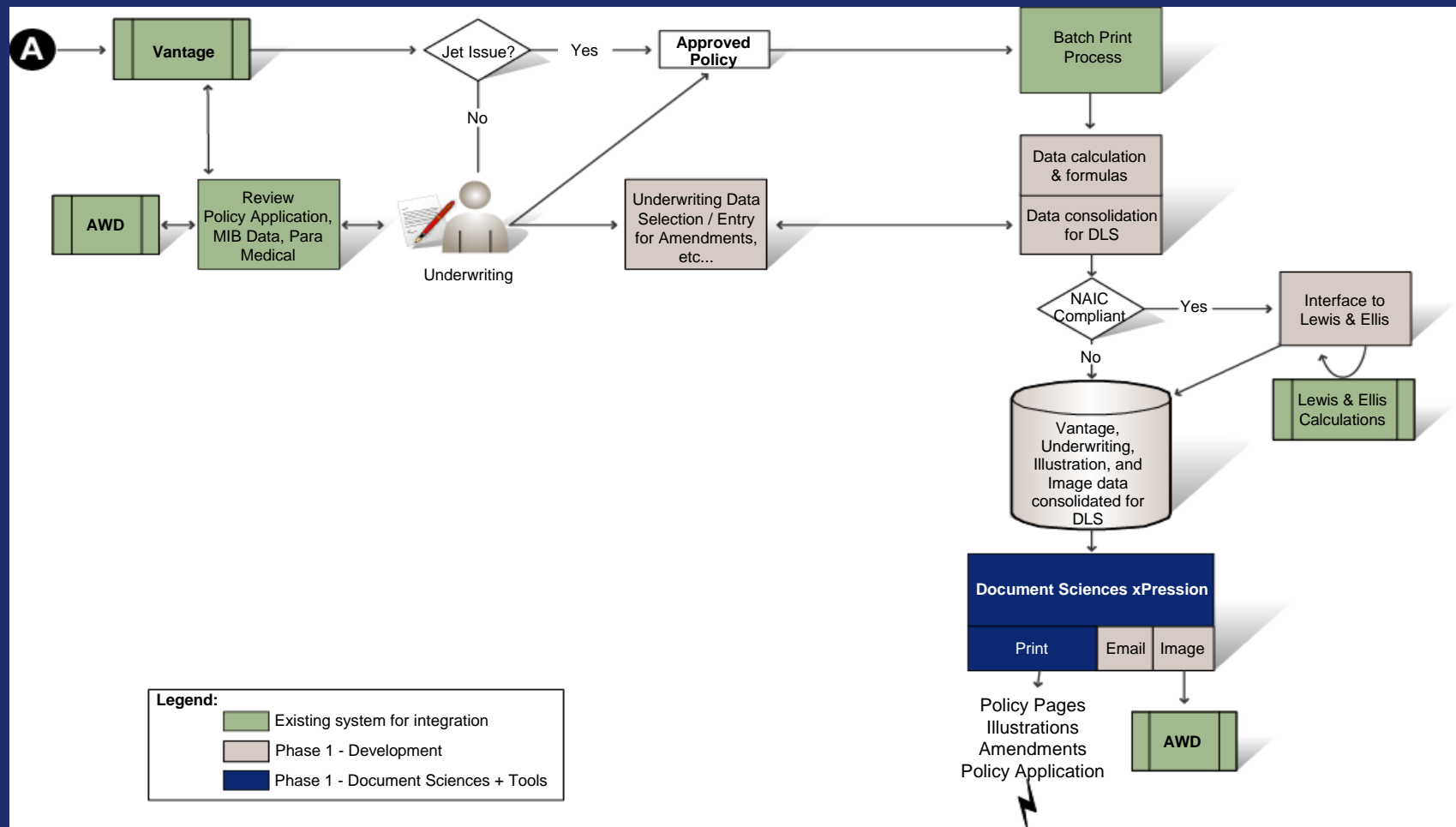
Midwest Insurer Case Study: Partnering with VeraSure



Source: VeraSure

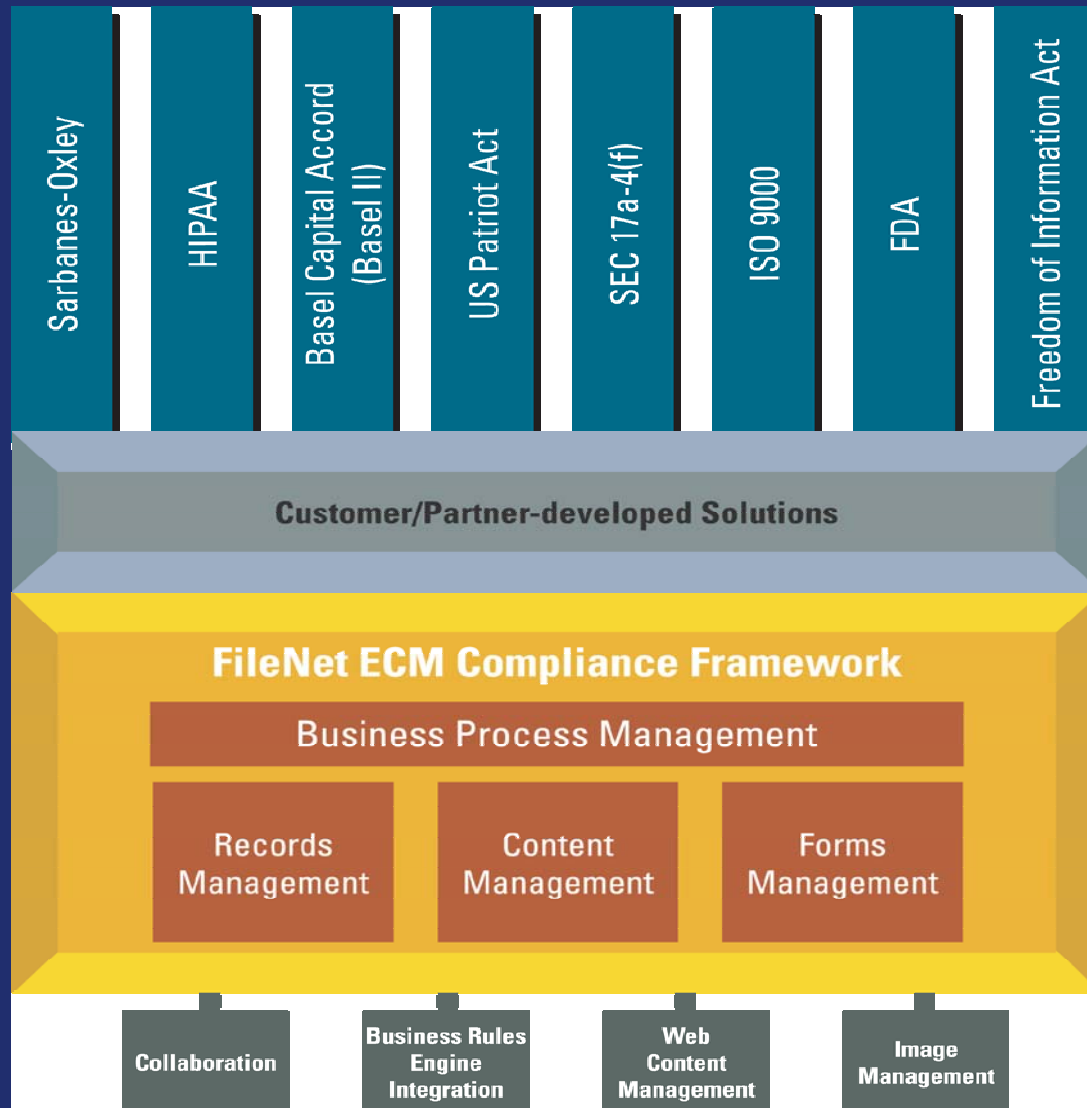
End-to-End Operational Efficiency

Midwest Insurer Case Study: After VeraSure



Print Center
Printing & Mailing

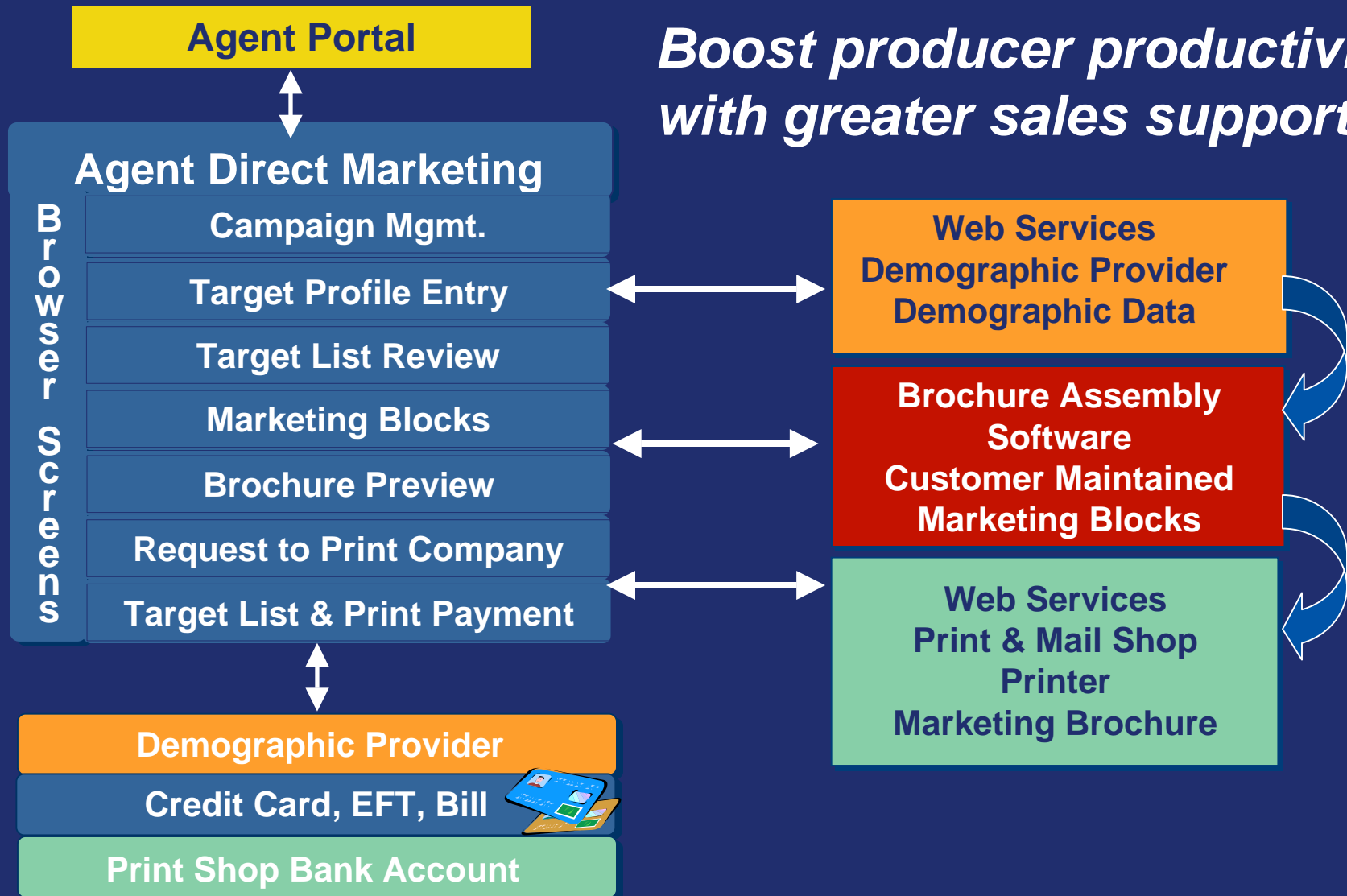
Steps Toward Enterprise Risk Management



- ◆ Governance of process, content, and connectivity
- ◆ Architecture provides a “Compliance Framework” infrastructure to customers and partners

Source: FileNet

Affordable, Value-Added Distribution



Source: Edgewater Technology

Architecture for Modern Customer Service



Internet



Call Center



Face-to-Face

Presentation Tier

Portal & Broadcasting			T O O L S
Integrated Performance Mgmt.			
Operations Mgmt.	Financial Mgmt.	Customer Mgmt.	
Business & Process Rules			

Business Tier

Claims

CRM

HR

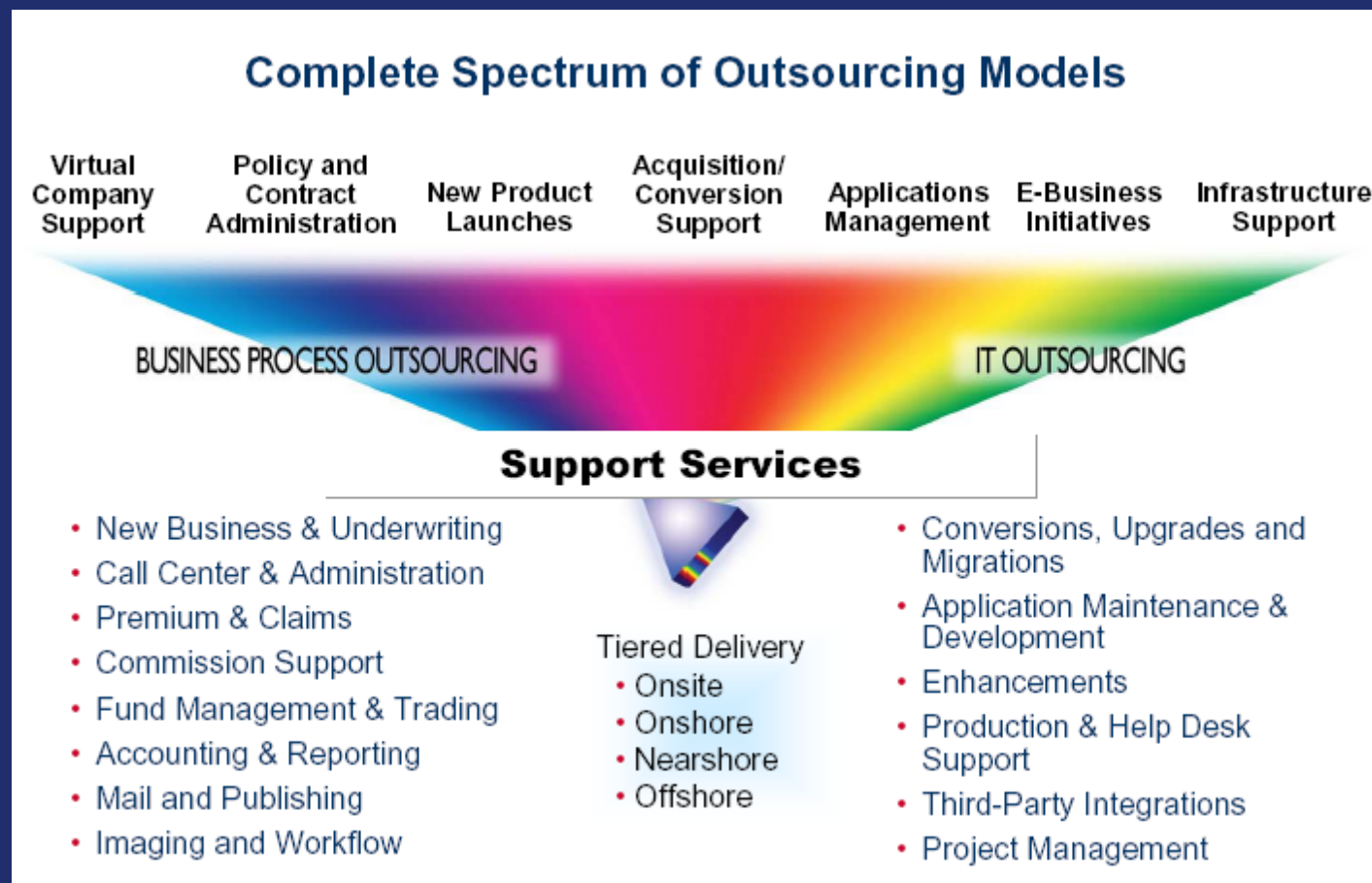
Finance

Policy

Data Tier

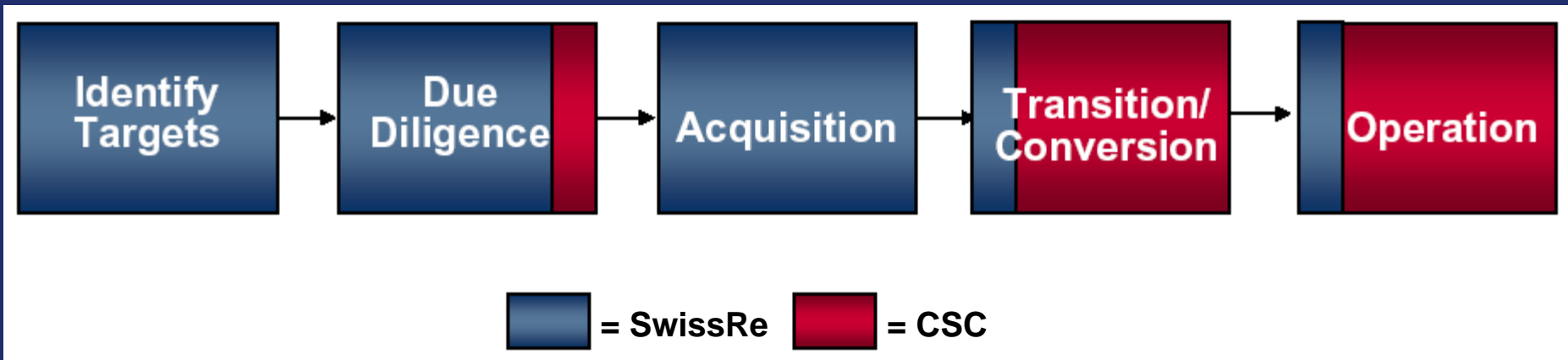
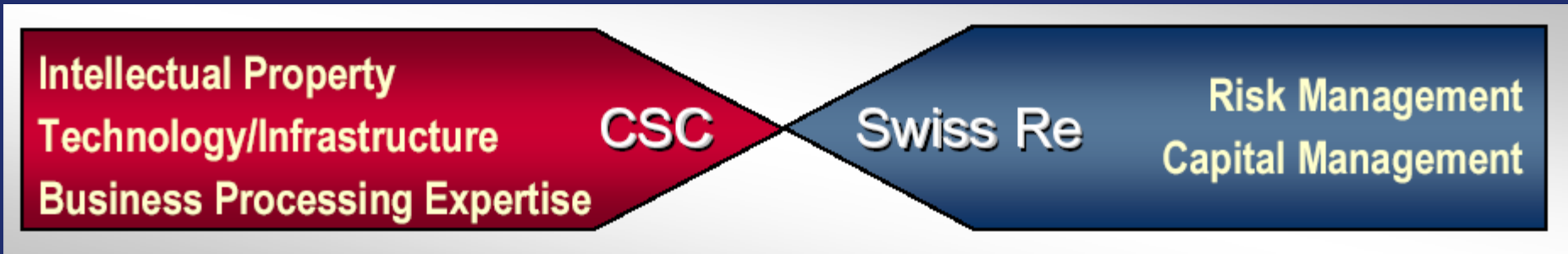
Outsourcing to Focus on Core Business

Build a model based on a cooperative partnership of mutual dependency and mutual trust



Growth and Expansion Opportunities in Life

Swiss Re outsources non-core competencies to CSC



Partnering for Virtual Insurance Processing

Business partners focus on core competencies for shared results and rewards.

Hard Dollar Savings

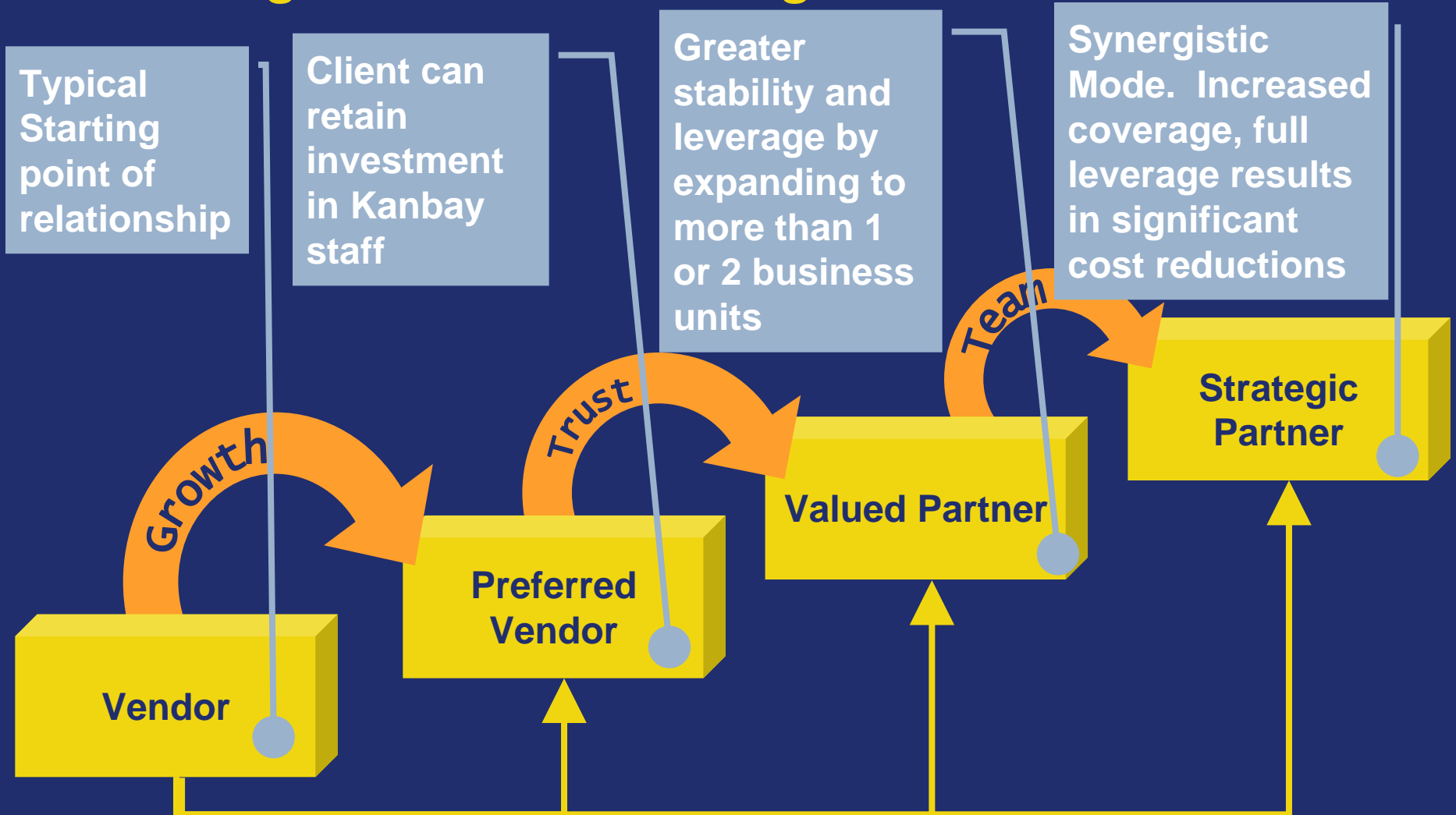
- Personnel
 - Enter, assemble, service,
- Print
 - Assemble, store, handling, paper, copies
- Regulatory
 - Filing, reporting, forms
- Telecommunications
- Control over cash
 - Positive Pay

Soft Dollar Savings

- Faster turn-around time
- Reduced paper
- Scanning to archive
- Real-time underwriting
- Improved
 - Management Control
 - Accuracy
 - Payment processing
 - Good business retention
 - Customer service
- Reduced phone calls

Building Long-Term Value

Delivering results and earning trust over time

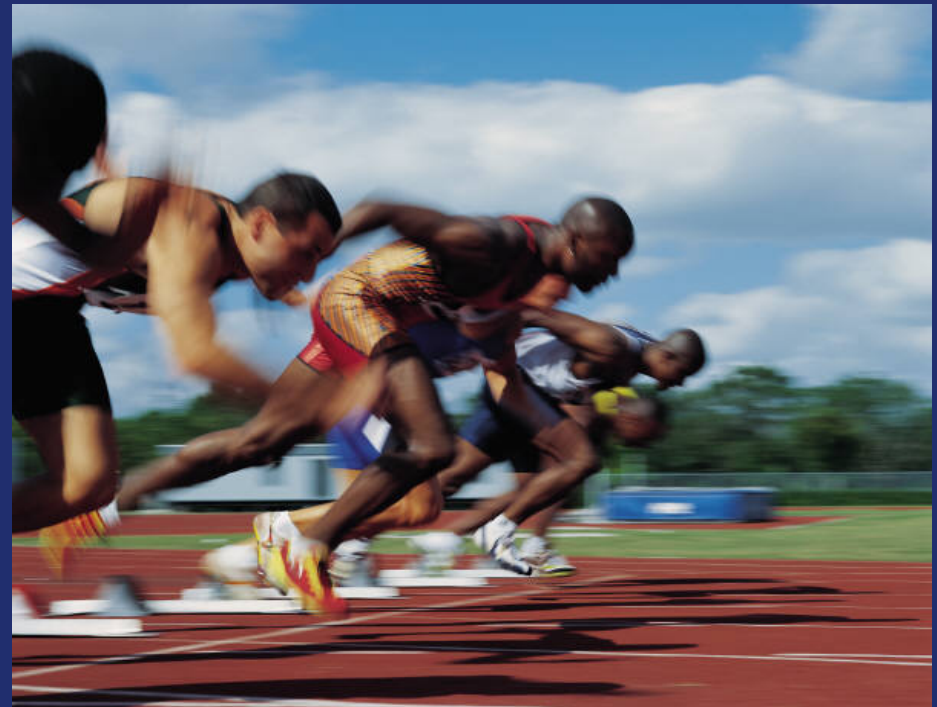


Source: Kanbay

Vendors Offer Insurers Strategic Advantage

Insurers want an integrated array of applications and processes that operate more effectively than before

- ◆ Speed to market
- ◆ Leveraged use of IT investments
- ◆ Domain expertise
- ◆ Resources
- ◆ Intellectual property
- ◆ Industry experience



Final Thoughts

Review Presentation Objectives

- ◆ **Who is getting results?**
 - ✓ Firms with a long-term strategic plan
- ◆ **What do insurers expect of their vendors?**
 - ✓ Experience, credibility, stability
- ◆ **When do we expect trends to materialize?**
 - ✓ Business transformation over 3 to 5 years
- ◆ **Where are insures struggling in their operations?**
 - ✓ Culture, governance, policy, standards, control

How can insurers maximize their use of IT?

Software vendors are a vital part of that equation

- ◆ Decrease costs with alliance-related solutions
- ◆ Three Cs for assisted re-engineering
 - ✓ Cooperation
 - ✓ Coordination
 - ✓ Cohesive support
- ◆ Support long-term plans with incremental tactical projects





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