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ORLANDO, FLORIDA

Analysts Debate:

Conflicting Challenges Make It Tough To Juggle IT Priorities

CIOs Caught In Tug Of War Over IT Budget For Operational Versus Strategic Objectives

By Michael Ha



Leading analysts debating at the ACORD LOMA Insurance Systems Forum yesterday included (l-r) Todd Eyler of Gartner, Cynthia Saccocia of TowerGroup, Matt Josefowicz of Celent Communications and Kimberly Harris-Ferrante, also at Gartner. The discussion was moderated by Denise Garth, vice president of membership and development at ACORD.

■ The time has come for insurers to embrace industry standards and new technologies to strategically grow their business, but there are also a number of emerging operational challenges that can confound a company's chief information officer, industry analysts here warned.

Speaking at yesterday's Town Hall Meeting at the ACORD-LOMA Insurance Systems Forum here in Orlando, a panel of technology analysts said the new business landscape offers opportunities but also problems for CIOs.

One factor that CIOs must deal with is the new regulatory environment, which offers opportunities to streamline business data management, but at the same time can drain resources that could go to broader and strategic information technology projects.

"Now, for example, mutual insurers have to respond much more like a publicly-traded company than in the past. Regulations are demanding it. If you can't get a view into your financials across your organization easily at any given time during the day, you know you will have some problems," said Matthew Josefowicz, manager of the insurance practice at Celent Communications.

Kimberly Harris-Ferrante, vice president and research director at Gartner, Inc., also noted that the reason insurers

are still coping with inefficiencies such as duplicate data entries is that "application systems and developments of standards like those from ACORD have all been works in progress in the last few years." However, she noted, the industry is just at the point where standards initiatives are coming together.

"This gives us an opportunity to put the systems together and have the data flow seamlessly through the organization, and to have it in a common standardized format," she said. "So I think we are just now at the turning point where we can start tackling this head on."

Cynthia Saccocia, research director for insurance at TowerGroup, also observed that when she talks to insurer CIOs, she notices they are starting to incorporate more language similar to that heard in the manufacturing sector—such as comparing their processes to a conveyor belt—and as a result to embrace more efficient data-management systems.

"They are talking about moving data and information on the conveyor belt and moving away from double-data entry and get away from separate silos," she said.

Still, despite the opportunities the new business environment presents, there are also new and existing problems as well as cultural inertia at work to confound those seeking greater efficiencies, the analysts pointed out.

In the insurance industry, Ms. Harris-Ferrante noted, there have been a lot of companies that think "if it isn't broken, let's not worry about fixing it," especially when it comes to replacing older legacy systems.

In regard to discretionary IT spending, she said, "we've heard many companies complain about the new [governance] regulations and regarding compliance reporting, and how they had to decrease their discretionary [technology] spending because some of the money they were going to spend on more core activities has been diverted into compliance initiatives."

Additionally, when analysts ask CIOs where they are investing their tech budgets, "we are finding that CIO priorities are not in line with CEO objectives. CIOs tell us that their major issues are privacy, security breaches, regulatory compliance and how to deal with business disruptions," said Ms. Harris-Ferrante, while CEOs cite retaining customers and growing revenues. "That's like number seven [for CIOs] compared to all the operational areas they are focusing on."

The problem today, she said, is that "we can talk about great deeds, looking at new customers and growing market share, but the reality is we are spending more time on operations. That's where our technology money is going."

When it comes to the IT budget, the challenge is to realign the percentage of spending for maintenance with investments in transformation projects that can grow the business long term, noted Todd Eyler, vice president of financial strategies for Gartner, Inc. "When you look at a typical IT budget, a big chunk is dedicated to just keeping the lights on," he said. ▲

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Focusing On Personal Awareness Is One Key To Information Security

Presentation Addresses Human Factors

By Matt Brady

■ Every corporation, whether it is an insurance company or otherwise, needs some form of information security program. A company can purchase a security software application for its computers, and establish different processes to protect itself, but the people who are working for that company can represent an unpredictable element.

In his presentation today to the ACORD LOMA Insurance Systems Forum, Steve Attias of New York Life, New York, will address this unpredictability, discussing how he and his company help employees focus on security in his role as vice president and chief information security officer in the Corporate Information Department.

Rather than examining the various technologies used for corporate security systems, Mr. Attias said that his presentation "will look at security in terms of personal awareness and how that relates to the company." Part of that, he said, is understanding the differences between individual employees, and looking at "how we communicate, how different people communicate differently."

Because of the differences between individuals, Mr. Attias said, it is important for companies developing their security programs to take into account

the different ways that security issues can be taught to their employees.

"People learn differently," he explained. "Some people learn verbally, some people learn by reading, some people learn by doing."

Additionally, he said, the presentation will discuss the issues relating to the different levels of employees. Although every employee should be made aware of the importance of security, he noted that some key employees need additional information and education.

"People in different roles in the corporation may need to know different things about security," Mr. Attias observed, noting that New York Life has extra security education programs for key employees in addition to the "one size fits all" basic education for employees.

Working for New York Life, Mr. Attias has a unique expertise to discuss security programs. The company, he said, has a "pretty mature" security program, which began over 20 years ago in 1983. Much has changed in the world since then, however, especially in the realm of technology that Mr. Attias called, "a total change on connectivity in the world." Advances in the availability and efficiency,



As a result of having increasingly online employees, New York Life has had to increase the amount of work it does to keep its security program up to date. "We have done more with it in the past six years than we did in the prior 15."

—Steve Attias,
New York Life

not to mention affordability of such technology, have greatly increased the number of individuals using computers at home.

"People are computing in their personal life now," Mr. Attias said, which was something that was unheard of when New York Life began its information security program. "It used to be that computing was something that people did at the office," he said, "but now they are equally likely to be online at home."

As a result of having increasingly online employees, New York Life has had to increase the amount of work it does to keep its security program up to date. "We have done more with it in the past six years than we did in the prior 15," Mr. Attias said.

There are, however, significant advantages to having employees with their own online connections, Mr. Attias said. One of the ways in which New York Life tries to increase employees' awareness of security for the company, he said, is by increasing their awareness of their own personal security. Effectively, he said, the program works to focus on employees' online security at home, "and then [we] hope that employees take that personal awareness and bring it with them to the office." ▲

Today's Schedule At A Glance

Monday, May 23, 2005

7:00 a.m. – 5:00 p.m.

Registration

7:00 a.m. – 8:00 a.m.

Continental Breakfast

8:00 a.m. – 9:30 a.m.

Opening General Session

Thomas P. Donaldson, FLMI, CLU, President and CEO, LOMA
Gregory A. Maciag, President and CEO, ACORD

Keynote Address: How the Age of Transparency Will Revolutionize Business

Don Tapscott, Author and Futurist

9:45 a.m. – 10:30 a.m.

Strategic View of P&C Underwriting:
Positioning for Competitive Survival or Advantage

Mark B. Gorman, TowerGroup

12:00 p.m. – 2:30 p.m.

Networking Luncheon: Exhibit Hall

2:45 p.m. – 3:30 p.m.

Driving Standardization in Your Organization

Laila Beane and Joe Tomalavage, Allstate Financial

3:45 p.m. – 4:30 p.m.

Accelerating New Product Rollout: A Case Study

Rick Crittenden, MetLife

ALERT: Demo Schedule Changes!

Today at 12:05 p.m., Fiserv (in the Atlantic demo area) and Sprint (in the Pacific demo area) will do their demonstrations. Unicorn Solutions (in the Atlantic demo area) will move their demonstration to 2:05 p.m.

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► For more coverage and supporting material from the conference, go to www.acordlomaforum.org.

Transformation Initiative

Technology Should Lead Change Effort

Internet Tech Advances Pose Challenges

By Steve Tuckey

■ If a good rule of thumb in today's business world is that the only constant is change, then the managers of that change may play a critical role in the fortunes of any enterprise.

According to Mike Byam, vice president of property-casualty information technology for the Hartford, nowhere is this idea more relevant than in the p-c insurance industry, which has to face the challenge of technological transformation under a 50-state regimen of government oversight.

At today's ACORD LOMA Insurance Systems Forum, Mr. Byam will lead a session on "Managing Technology Change" that will examine this issue.

Mr. Byam said the current environment is a great opportunity for technology departments to take the lead in this area. In his role as leader of the Hartford's Transformation Office, he only has to look at his letterhead to grasp the challenges facing him and the industry to which he belongs.

"As we look at it, there is a significant amount of change taking place both on the business side and in technology," Mr. Byam said. "Strong leadership is critical in creating business opportunities. In this dynamic environment, we think technology leadership is the key."

Insurance companies face changes both in the regulatory and market realms as 50 state entities have their say in rule-making, he said. Pricing cycles also present constant challenges.

"In the p-c carrier environment, we all must manage antiquated legacy systems," Mr. Byam noted. These systems, he added, must cope with challenges posed by the Internet, service-oriented architecture, on-demand computing and wireless.

"So the question becomes how we take advantage of these technology changes coming onto the market, and integrate them into our legacy systems," Mr. Byam stated.

"It's not just that our systems are

old. Some of the ways we define and develop new systems are outdated, and cannot react fast enough to changes in the business. You need to look at building a new delivery model. For example, becoming more process-focused, leveraging quality management pro-

grams such as CMM (Capability Maturity Model) and Six Sigma (enhancing internal organization around specific competencies and building partnerships where necessary) are key components," Mr. Byam said.

For a company used to managing

its own risks, he noted, finding partners to leverage new ways of doing work in the future will be a key to success.

"To lead the change, you need to build a structured plan to align all the moving parts," Mr. Byam said. "Don't

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Agents Get Real-Time Quotes In An Instant

By Steve Tuckey

■ Imagine a world where agents can get real-time quotes with the touch of a button. Arron Lamp, assistant vice president and manager of e-business for Liberty Regional Agency Markets (RAM), a strategic business unit of Boston-based Liberty Mutual Group, does not have to imagine such a world. He lives and breathes it every day.

Since 1997, the regional insurance companies that comprise Liberty RAM have distributed personal lines and small-to-mid-size commercial lines products in 50 states through independent agents. At the end of 2004, the RAM companies had revenue of \$3.9 billion and relationships with some 5,000 independent agencies nationwide.

At the ACORD LOMA Insurance Systems Forum today, Mr. Lamp will speak on "Using Real-Time Online Rating and Quoting for Competitive Advantage," drawing on his experience in the area.

Much of Liberty RAM's success stems from each regional company's strong local presence, understanding and decision making, supported by a central technology platform, said Mr. Lamp. RAM's technology makes it dramatically

easier and faster for agents to submit applications and get quotes, regardless of which of the three common workflows an agency follows—interacting with insurers through each carrier's Web site, comparative rating vendors, or using links such as IVANS Transformation Station.

"It's all about providing the benefits agents want while recognizing the way they do business," said Mr. Lamp.

Mr. Lamp said that until recently those means of getting quotes were in conflict with one another. "If the agent was using a proprietary site from a company, they would need to key the quote into multiple company sites," he noted.

IVANS Transformation Station has been an aggregator in that it promises to go from the agency management systems and carry that data to back-end systems

of the various companies and provide some sort of multi-company interface mechanism, said Mr. Lamp.

"The big deal is that that was one of the few mechanisms to actually do that," Mr. Lamp said. "The comparative rating vendors are now getting into that space by allowing the same kind of ACORD-XML system-to-system transaction."

What is now created, according to Mr. Lamp, is three different avenues "that we see as complementary to each other."

For agents, there is no more redundant data entry. "They can leverage the benefits of these tools within their workflow," he said. "All avenues leverage the services to gain efficiency for our agents and our companies. For example, the agent will receive the same quote whether they quote directly from their management system, use a comparative rater like PRIORITY or come to our agent Web sites."

From the insurer's perspective, companies are able to leverage the investment in systems to move away from a data entry/administrative environment to a more service/decision-making environment, said Mr. Lamp.

"The capture and movement of the electronic file also allows us to expand our use of automated workflows, expert systems and predictive modeling tools to better understand our business," he added.

Mr. Lamp envisions multiple means of access to RAM systems. "The common element will be the use of ACORD XML as the basis of the transactions," he said.

To access those systems on a system-to-system basis, RAM has constructed what it terms a "generic front door" called Web Routing Services that allows its agents to authenticate and validate requests and then route them to the appropriate system to complete the transaction.

As an example, Mr. Lamp said PRIORITY users will complete the application screens in PriorityRate.com.

"When they select an application, PRIORITY will execute a call to our Generic Front Door, which will route the request to our personal lines Internet Quote system (PLIQ)," he said. "PLIQ will then perform the driver assignment, risk pricing and rate the risk. It will then return a quote proposal to PRIORITY to be presented with other companies that the user selected to rate."

Thus, Liberty RAM's regional companies are no longer a data entry organization. "We are a service and decision-making organization," Mr. Lamp said. And then there is the human factor.

"In highly automated environments, the relationship between the carrier and the agency is even more important," Mr.

Lamp said. "Throughout our systems we are building in the ability for agents and underwriters to make more informed decisions in real-time."

RAM has partnered with PRIORITY to deliver these capabilities to our agents. "We chose PRIORITY as an interim solution when we were initially building our Personal Lines Web solution (PL IQ)," Mr. Lamp said. "This gave our agents a Web-based rating solution to quote and submit business while we were developing our systems. We have continued our partnership developing the direct-to-company rating capabilities with PRIORITY."

With the development of both personal and commercial lines quoting and policy service capabilities, RAM's regional companies are ready to meet their agents' needs, while obtaining mutual productivity gains. "The important thing to remember is that this is a win-win for agents and companies," Mr. Lamp said. ▲

Today's Demo Schedule:

The following companies are doing demonstrations of their products. ("A" for the Atlantic Demo Area, and "P" for Pacific):

12:05 p.m. – 12:20 p.m.
Fiserv (A)
Sprint (P)

12:25 p.m. – 12:40 p.m.
OneShield, Inc. (A)
EasyLink Services Corp. (P)

12:45 p.m. – 1:00 p.m.
Sapiens Americas (A)
Allfinanz (P)

1:05 p.m. – 1:20 p.m.
Unisys Corp. (P)

1:05 p.m. – 1:35 p.m.
CCS Technology Solutions (A)

1:25 p.m. – 1:40 p.m.
InSystems (P)

1:45 p.m. – 2:00 p.m.
IBM (A)
BRT Systems (P)

2:05 p.m. – 2:20 p.m.
Unicorn Solutions (A)
Micro Focus (P)

5:30 p.m. – 6:00 p.m.
CCS Technology Solutions (A)

5:35 p.m. – 5:50 p.m.
CT Insurance Services (P)

5:55 p.m. – 6:10 p.m.
Riskclick (P)

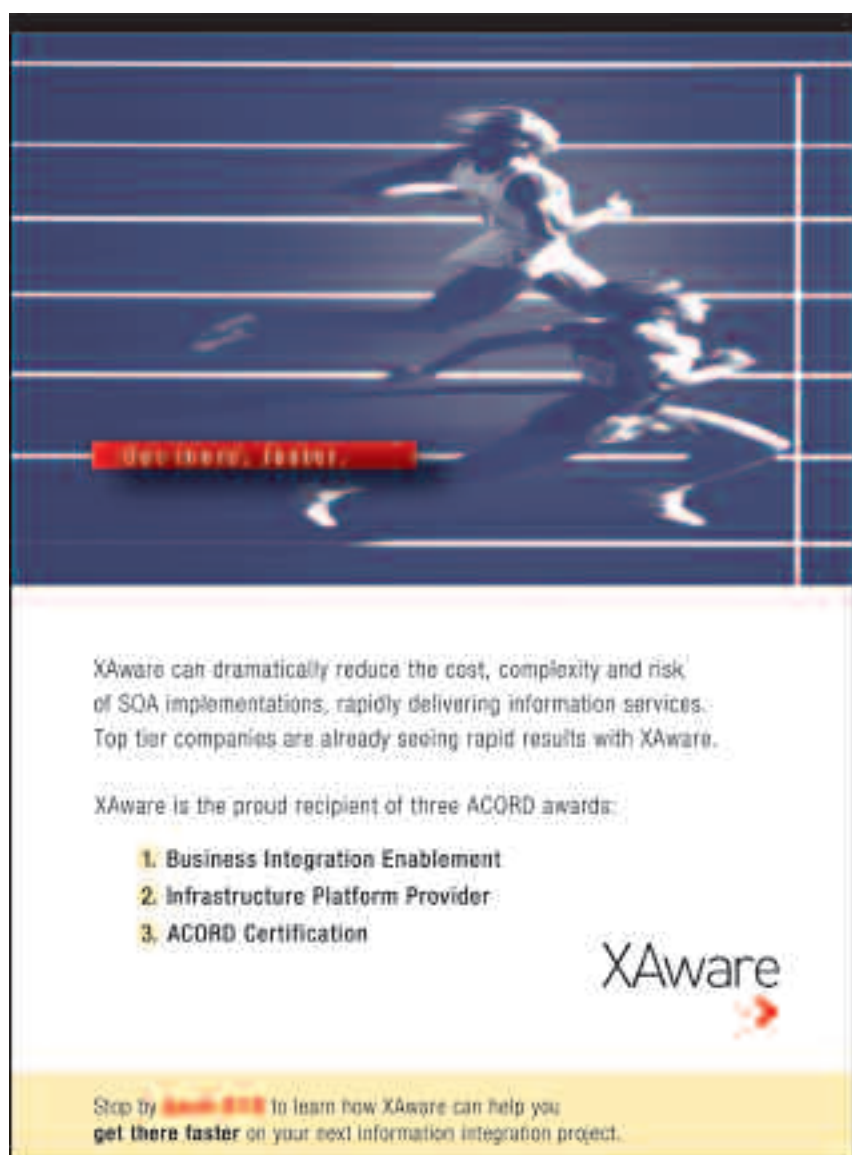
6:05 p.m. – 6:20 p.m.
Priority Data Systems (A)

6:15 p.m. – 6:30 p.m.
Andesa Services, Inc.
and The Life Annuity Group (P)

6:25 p.m. – 6:45 p.m.
Single Entry Systems, Inc./INSTEC (A)

6:35 p.m. – 6:50 p.m.
XAware, Inc. (P)

6:45 p.m. – 7:00 p.m.
Results International Systems (A)



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Risk Manager Alert! Standards For RMs Await Implementation

By Caroline McDonald

■ With ACORD standards in place designed to save time and cut costs, all that's needed is for more risk managers to recognize the value of standards and request their use with business partners, experts in the field contend.

"We're taking the message out that the standards are available," said Patrick Vice, information technology manager at the Canadian firm of Frank Cowan Company Ltd. in Princeton, Ontario. Mr. Vice is a presenter at today's ACORD LOMA conference, entitled, "From Risk Manager To Carrier and Back—Straight-Through Processing and its Benefits."

Mr. Vice said that by using standards, "instead of risk managers having to rely on one carrier system to view workers' comp loss results and another carrier system for general liability losses, for example, the information can be consolidated." Standards also would allow risk managers to get "a more complete picture of their risk exposures and the results of their insurance programs," he noted.

Risk managers and their business partners stand to save time and money from implementing standards, he continued, explaining that a risk manager currently must keep "an asset list within his or her own company.

"When it comes time for a renewal they have to generate a report out of their system and send it to [their broker and managing general agent]. We key that same information and any updated information into our underwriting system for our purposes," he said. After that, he added, the information "is summarized into a schedule of properties used for our own underwriting purposes, and that we send to our insurers for their records."

He said that several organizations have begun limited projects using standards, "including the one I work for." The Frank Cowan Company, a full-service MGA that does underwriting and claims, is working with a risk manager and an insurance company part-

ner, "starting with property schedule exposures," he noted.

Elizabeth Morrell, immediate past chair of the Risk and Insurance Management Society Technology Advisory Council, and senior risk analyst for Southern Company in Atlanta, said

the goal in working with ACORD is "to support the implementation of standards and to promote more accurate and efficient exchange of information between risk managers and their partners."

She agreed that raising awareness of standards with risk managers is critical.

"Risk managers who have participated see the potential for standardizing claims data and facilitating the exchange of exposure data," she said. However, she added, "there are still a large number of risk managers out there who aren't aware that RIMS has been partnering

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with ACORD for five years to develop a loss-run standard, and that there are exposure standards available.”

Ms. Morrell added that “getting our industry partners—brokers, carriers, third-party administrators and [risk management information system] vendors—

to support the standards has to be customer-driven.” Risk managers, she said, need to know the standards are available “and ask their vendors to support them.”

She pointed out that standards exist to help with different parts of the risk management “puzzle.” For example,

a risk manager working to renew an auto liability policy, who needs to provide their carrier with information about the number of vehicles and detailed information about those vehicles, can be helped with standards.

“The risk manager could simplify

that exchange by using an ACORD standards spreadsheet to send vehicle data to the broker—the broker could turn the spreadsheet into an XML stream and the carrier could set up their systems to receive that XML stream,” she said.

Many risk managers are comfortable organizing data into spreadsheets, but when each one sets up a unique format, it becomes more time consuming for underwriters to interpret and compile, she noted.

Claims data coming to the risk manager—either from the carrier or third-party administrator—would be provided initially in an ACORD XML format.

According to ACORD, standards developed at this point include claims notification, claims status inquiry and loss runs; property, auto and general liability standards; and policy images.

“There are still a large number of risk managers out there who aren’t aware that RIMS has been partnering with ACORD for five years to develop a loss-run standard.”

— Elizabeth Morrell, Southern Company

“The next step is to get risk managers asking their carriers and TPAs about standards,” said Ms. Morrell, noting that the information currently is pulled together by RMIS vendors, who pool disparate claims data from different proprietary formats and feed the loss data into a reporting system that risk managers can use.

She explained that although the process may appear seamless to risk managers, they ultimately pay for inefficiencies through data conversion costs, delays and reduced accuracy.

With standards, instead of having to set up a different translation for every single provider, business partners could capture information internally, “but when they get ready to export it they can share data using ACORD XML and simplify the entire translation process,” she said.

Mr. Vice explained that the ACORD standards are vendor-neutral. “They are just data standards—they say the name goes in this place, the address goes in this place and the geographic location goes in this place,” which standardizes how the information is transmitted.

How the information is captured is up to the individual and the respective systems used, he noted. But once the information is generated into an ACORD standard format it can be transmitted to any other system.

“Because it is pure data, Internet-based, there are standards for the exchange of the information,” he said. “In the same way, if I’m using my Macintosh computer at home, I can access IBM or Microsoft databases because they have all adopted standards.” ▲

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— Roy Carroll, Vice President of Information Systems, Pekin Insurance

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— Roy Carroll, Vice President of Information Systems

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“Before Ratabase, we developed rates for various lines of business in three different environments, including the Web, CICS, and batch processing,” said Roy Carroll, Vice President of Information Systems. “Different rating programs were run in each environment and managed by two separate teams. Implementing rate changes across all three environments, coordinating the management of each rating program, and assuring consistency was a challenge,” Carroll noted.

“With its open architecture, Ratabase provided us a common platform for executing our rating functions across all three environments,” said Carroll. “A common interface links each environment to a common adaptor that communicates with the Ratabase rating engine. In addition, each environment uses the same Ratabase tables and formulas. As a result, we can develop or modify rating logic once and distribute it to any end-user application on any platform,” Carroll noted. He went on to say, “This flexibility has allowed us to increase customer satisfaction by providing automated Web quoting to more than 4,000 agents for all lines of business; a process that was previously manual.”

“Ratabase can also be easily integrated with existing systems and used to support new development efforts, especially Web development,” Carroll said. “In addition, its design allows our business analysts to develop and manage all of the rating and rule logic without relying on IT support or third-party rating providers.”

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“We first implemented Ratabase for our Private Passenger line of business in May of 2004. Since that time, our Ratabase team has deployed it for four commercial lines of business as well as for Motorcycles and Dwelling Fire,” said Carroll.

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“Being able to make a rate change in one place and then roll it out to different environments has dramatically reduced rating errors,” said Carroll. “Reduced programming maintenance is another

benefit. In addition, Ratabase has laid the groundwork for several strategic initiatives, including the upgrade of our current policy administration system.”

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◀ Transformation Initiative, continued from page 3

ignore them, but get in front and lead them.”

The first thing companies have to start with is a fact-based analysis of their architecture, organization, and finances, he explained. “From there, you need to set a common goal for where you want to take your organization over the next couple of years.”

Technology experts will often have projects loaded on them and they should gain expertise in prioritizing them, Mr. Byam suggested. “Try and take the lead by establishing a clear governance process over IT demand and capital planning. You want to keep asking yourself whether a request is helping the problem or hurting the problem.”

Finding the right talent, particularly in the search for business partners, presents one more challenge, he said. “You have to look at what you have today and what you need to execute on that transformation. As you move forward, it is important to determine if you have the right partnerships to get you where you want to be.

“Communicating throughout your organization is critical because change can be an uncomfortable process,” Mr. Byam noted. “That is why it’s important for everybody to understand what their role is as part of the change.”

At The Hartford, Mr. Byam is involved in a nine-year project in the personal lines area that is about half completed. “We had IT drive through those first four years changing how that business operates,” he said.

As a result of these changes, he said, products are now getting to the marketplace 20 percent faster than before.

Among the successes Mr. Byam pointed to was The Hartford’s Dimensions product, which applies interactive rating factors to individual drivers to produce a pinpoint rate for each driver.

“We also succeeded in introducing new distribution applications to our agents for both personal lines (Quote to Issue) and commercial lines (ICON 2.0), both of which continue our focus

on the ease of doing business,” he said.

“With architecture and process successes like these, we are trying to determine how to take what we’ve learned and move it across our entire organization,” he noted. “We are terming this the transformation of our

whole IT organization.”

For Mr. Byam, the goal is now to create an organization that is simple, innovative, and distinctive.

“For us, simple, means standard processes that are measurable and predictable to deliver,” he explained. “We

also want to work with our businesses and customers to bring solutions to the table that are innovative and distinctive. At the end of the day, technology can lead the change and help become a competitive, offensive weapon for our business segment.” ▲



“Strong leadership is critical in creating business opportunities. In this dynamic environment, we think technology leadership is the key.”

— Mike Byam, The Hartford

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