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Globally Integrated Enterprise:

Insurance Delivery e-Business Channel

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Agenda

- Allstate at a Glance
- Planned Session Outcomes
- Industry Trends
- Allstate's Globally Integrated Approach for e-Business Channel
- Deep Dive Globally Integrated Enterprise
 - Getting Started
 - Global Insurance Factory Model
 - Set Up for Success – People, Process and Technology
 - Focus on the Fundamentals: Consistent Governance and Standards
 - Creating Collaboration: The Unique Needs of a Global Team
 - Conclusions

Allstate at a Glance

- Allstate is the nation's largest publicly held personal lines insurer.
- A fortune 100 company with \$132.7B in assets.
- Allstate sells 13 major lines of insurance, including auto, property, life and commercial.
- Allstate also offers retirement and investment products and banking services.
- Allstate is widely known through the “You're In Good Hands With Allstate®” slogan.
- The Allstate Corporation encompasses more than 70K professionals with technology operations located around the globe.
- Allstate is reinventing protection and retirement to help individuals in approximately 17M households protect what they have today and better prepare for tomorrow.

The economic climate, increased level of competition, market consolidations and increased regulations are all imposing enormous pressure on insurance firms.

- Planned Session Outcomes - Strive to answer:
 - What levers can be pulled to reduce cost?
 - How can a thoughtful balanced approach to global integration drive speed to market?
 - How can you mitigate risk in global integration models?
- Now more than ever, the insurance business demands major cost reductions, increased speed to market and the need to mitigate delivery risk. Global integration requires the insurance enterprise of the future to optimize information technology to prudently support the mix of local and global talent; it also involves vendor management with the global management of resources needed for profitable operations.

Increasing fixed costs, an uncertain recovery from the recession and projected near flat net premium growth is causing immense pressure on cost take out.

1. P&C net premium growth at 2.4% in 2009 with a 1.7% forecast for 2010.
2. Economists estimate real GDP growth at -2.7% for 2009 and a moderate turnaround in 2010 with 2.1% growth.
3. Insurance and Technology, 10 in 2010: What to Watch in The Year Ahead – *“with dark clouds still hanging over the economy, cost control continues to be top of the agenda for insurance carriers”*.
4. Gartner projects that approximately 50% of the market is focused on cost cutting solely. In that same report, a group comprised of property and casualty (P&C) and life insurers continue to invest in strategic initiatives, including those aimed at organizational agility and seizing market share from weaker competitors.
5. Forrester reports workforce planning through 2016 shows global population shifts will affect the supply of IT skills.



Michael Dell at Oracle OpenWorld 2009: *“the new reality of IT is not just reducing costs, but doing so while also delivering superior value, productivity and service to customers..”*

Sources: Conning Research & Consulting 4Q 2009 | Forrester, P.Murphy, Global Workforce Planning, 10/2009 | Gartner, K. Harris-Ferrante, Responding to the Market Crisis, 4/2009

Even with the current economic pressure, consumer expectations, operations, business performance and regulation are still mega trends shaping the industry.

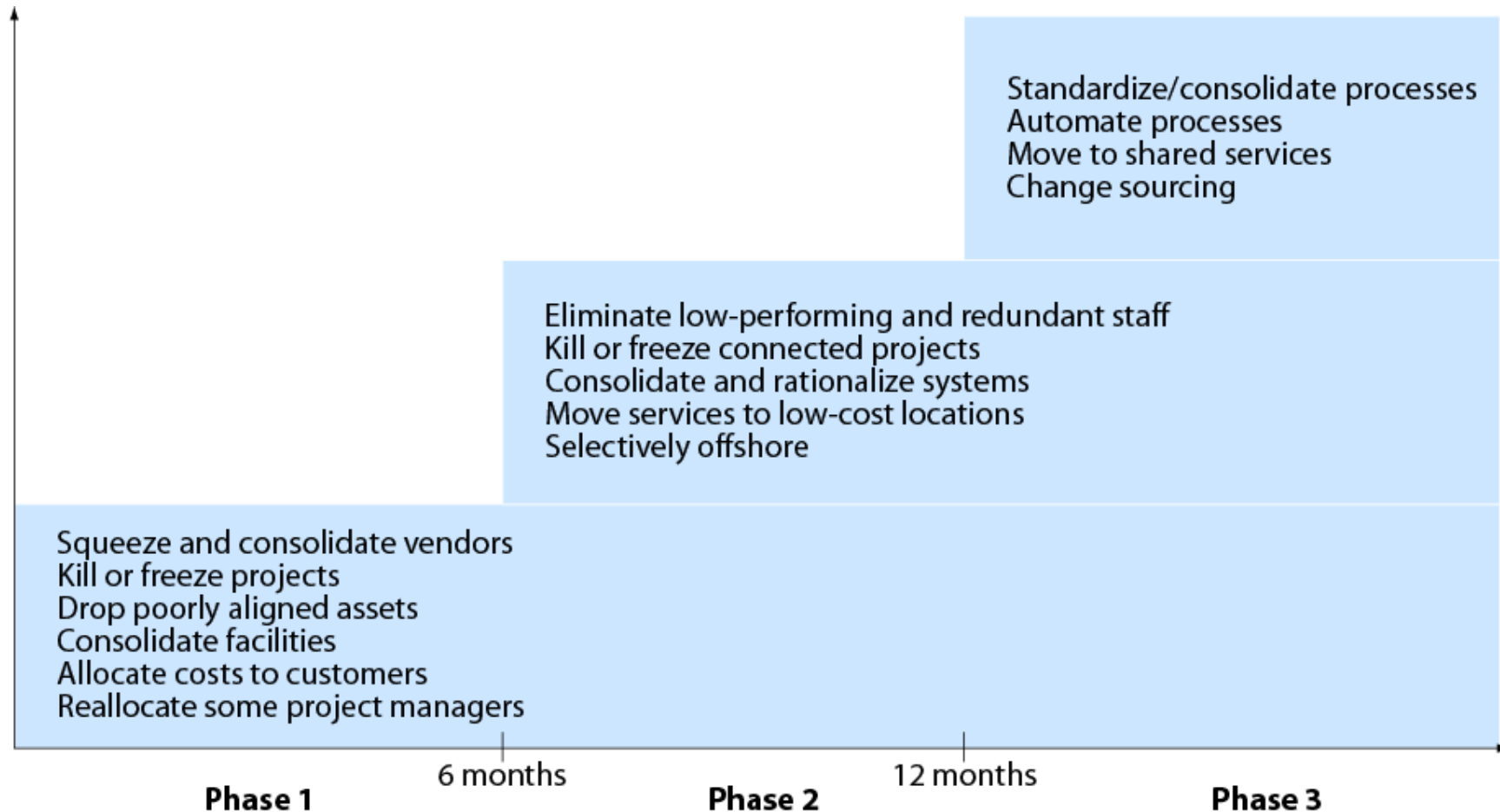
2020	Megatrend	Current Implications
Consumer Expectations	Active and informed consumers across demographic groups reward non-traditional operators	Customer centric marketing is key, 360 degree view of the client.
Insurance Operations	Technology virtualizes the value chain and lowers barriers to entry	Componentize business services to create an "assembly line."
Business Performance	Insurance products are dynamic and provide more consistent performance	Pure standarization only creates cost differentiation, not quality. Smart thinking (innovation).
Regulation	Regulatory coordination and affirmed industry standards now broaden to international scales ¹	Promote data quality and clarity. What would you do in a world without regulation?



Rob Henrikson CEO, MetLife Investor Conference: *“Substantially reducing costs, while investing more in application development to further drive customer value.”*

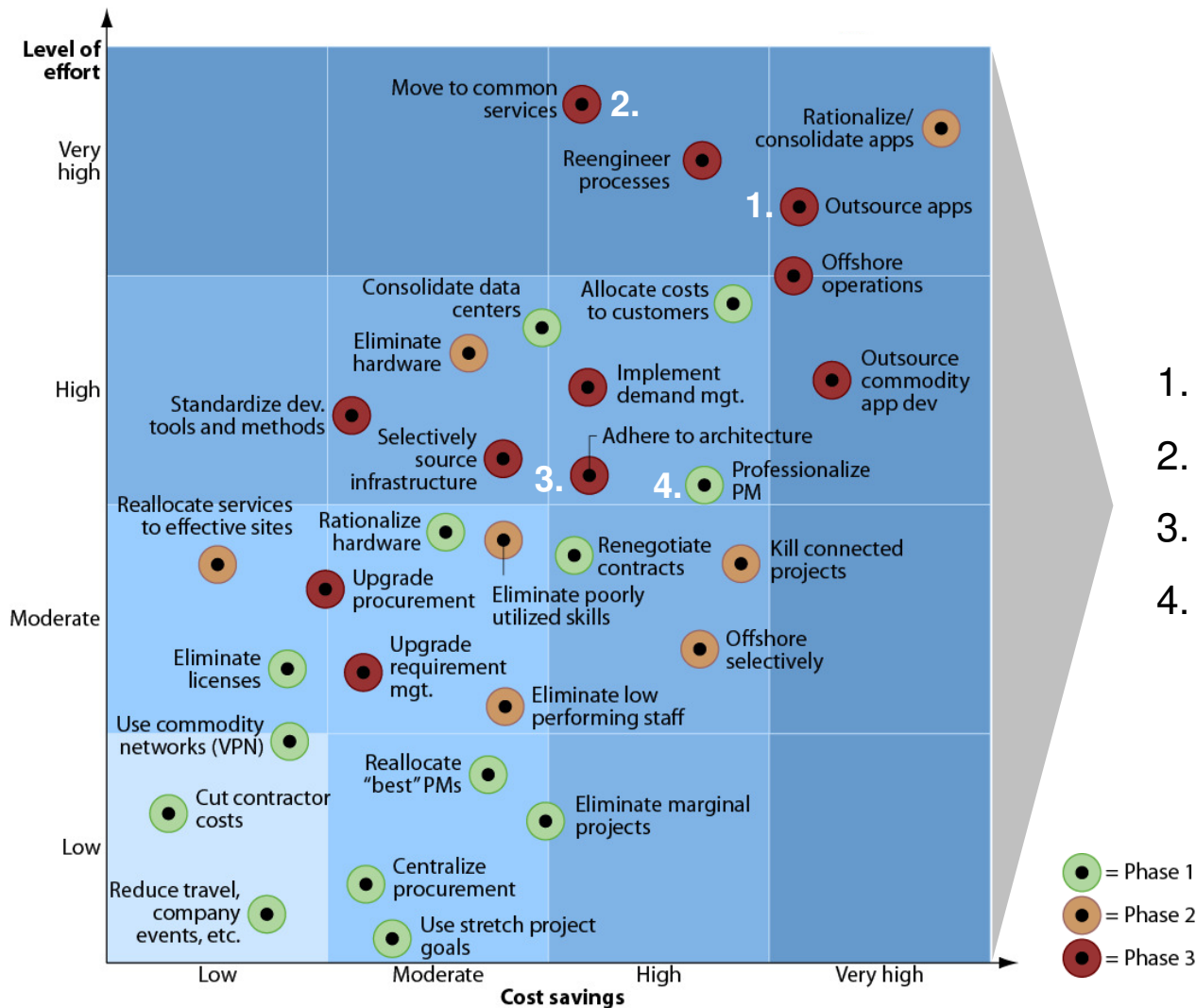
Source: 2020 Mega Trends: IBM Institute for Business Value | Reference: 1. <http://www.cmcrossroads.com/content/view/7908/120/>

Using a managed approach can help lead to global integration and real cost savings.



Sources: Forrester (2010) Savings From Cost-Reduction Activities.

Spreading talent globally, using common services, adhering to architecture and professionalizing PM are all industry recognized techniques to cost cutting.

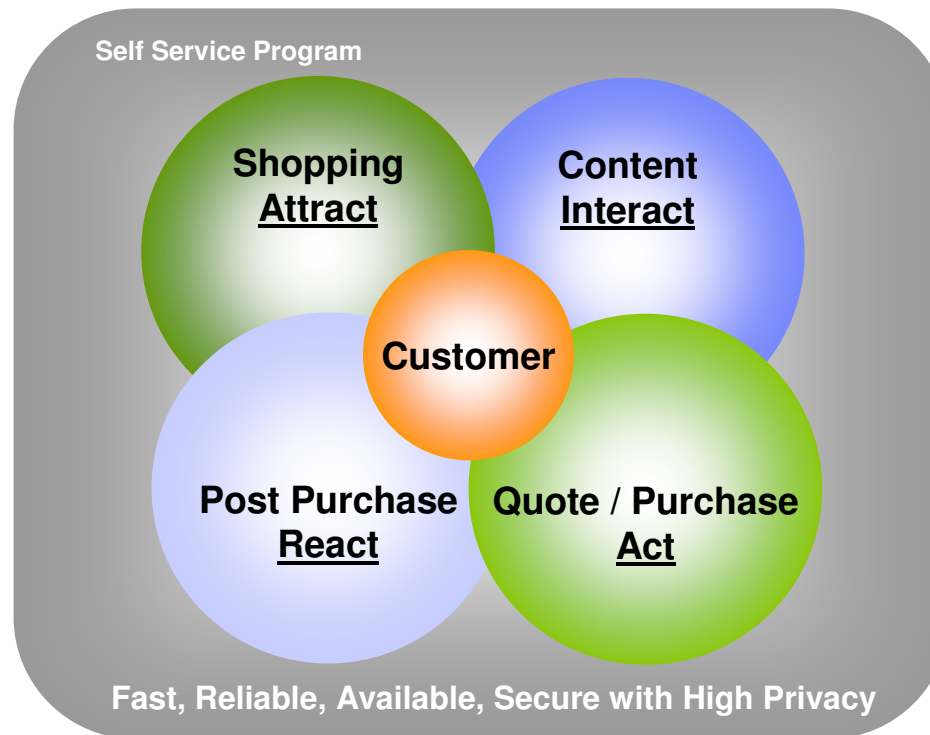


1. Offshore Operations
2. Move to Common Services
3. Adhere to Architecture
4. Professionalize PM

Sources: Forrester (2010) Savings From Cost-Reduction Activities and Forrester (2009) Define, Hire, And Develop Your Next-Generation Project Managers

Allstate's vision of reinventing protection and retirement, a strategic initiative, is a must to retain and capture market share – but costs must too be managed.

- It became critical for Allstate to change the game and present a single face to the customer, regardless of their choice of venue. The Allstate online channel needed to show parity but it also needed to innovate and deliver quickly to the marketplace.
- The case for today will be Allstate's first major deliverable, a countrywide online auto quote and bind application.



Sources: "The Online Insurance Imperative: Driving Growth by Expanding Your Online Presence" - <ftp://ftp.software.ibm.com/common/ssi/sa/wh/n/gbw03067usen/GBW03067USEN.PDF>. | Figure Modified from, "Designing Systems for Internet Commerce"–Treese & Stewart.

Allstate needed to be innovative, reduce costs and execute a multi-channel strategy by following standards, using rapid development and delivering globally.

Business and IT Challenges

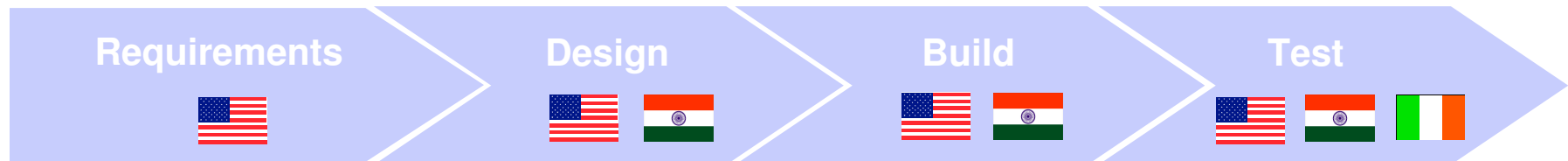
- Looking for new opportunities to grow profitably, increase speed to market and reuse technical assets, the team needed to build a countrywide online auto quote and bind application that would serve as the e-Business channel platform going forward.

Approach

- The underlying technology was Microsoft .NET using Service Oriented Architecture to integrate with legacy systems. Following standards, using rapid development techniques, and delivering globally, the team took advantage of Web 2.0 technologies and the best-of-breed independent software vendors.

Project Results

- Delivered 50 states and DC in less than 24 months with continual improvement throughout.
- Awarded a 3rd place Innovators award from Insurance Networking News¹.
- Tripled monthly new business and purchase percentages and ~ 3M quotes started in 2009.
- Opened up key resources to focus on strategic aspects of the customer-facing e-Business application systems. A balanced global solution resulted in a third of the original planned expenditures.

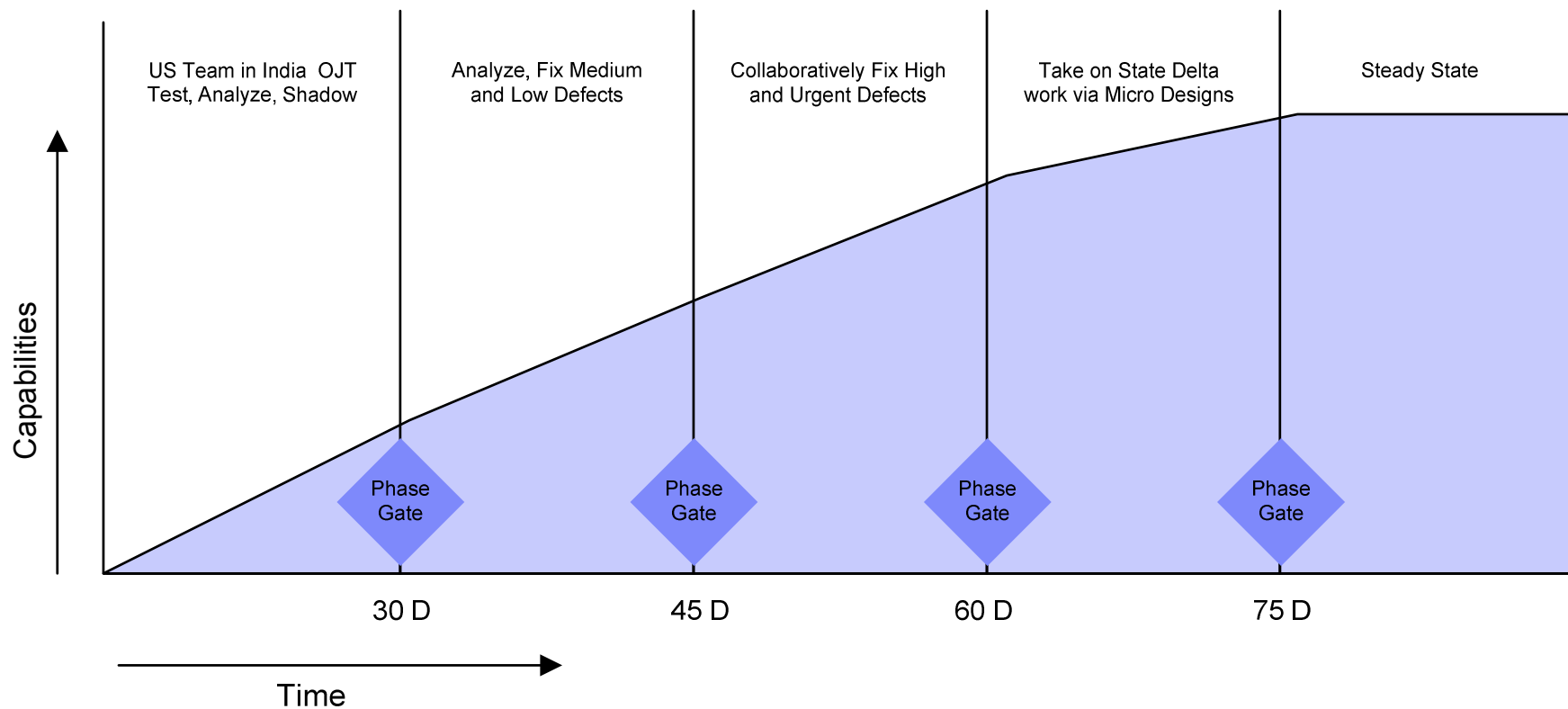


US Insurance Executive: *“Economics, like water, finds the opening. You see jobs getting shifted offshore, but it helps to meet the needs of our customers and increase the speed by which we go to market. It is about efficiency and effectiveness².”*

References: 1. <http://digital.insurancenetworkingnews.com/insurancenetworkingnews/20100304#pg32> | 2. CNBC interview - Forum on competing in the global economy. 5/12/2008

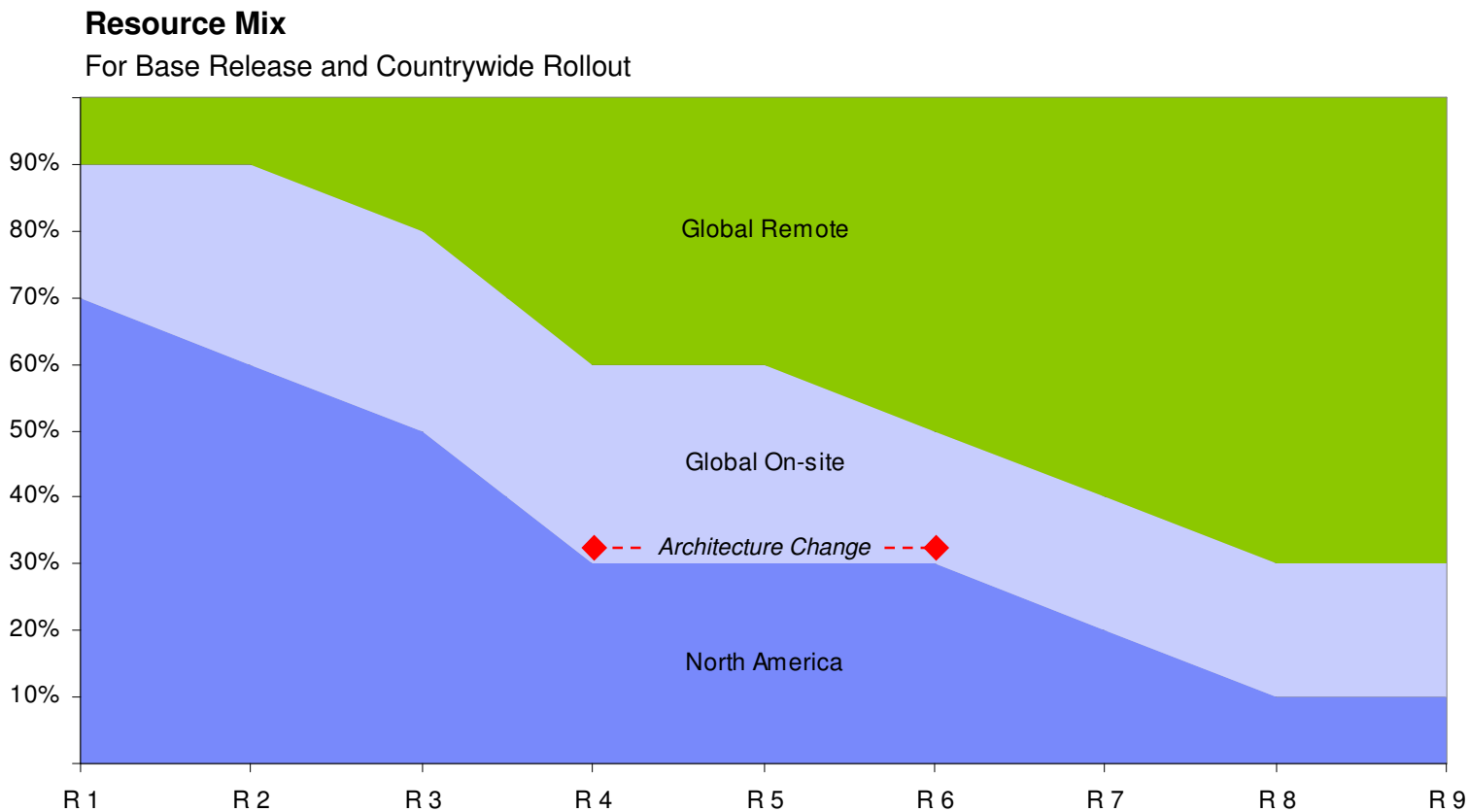
Allstate took a phased approach to reduce costs, always looking for realistic outcomes and quantifiable metrics and measurements.

- Using a reverse residence concept (tour of duty), on the job training (OJT) and by closely monitoring metrics we were able to establish our team globally.



Allstate established state by state bundling for optimal business value, then built a delivery roadmap and a balanced resource model for success.

- The first release was a base state and a second delta state.
- The team also developed a very detailed WBS (work breakdown structure) for each of the state deltas, bundled by state.



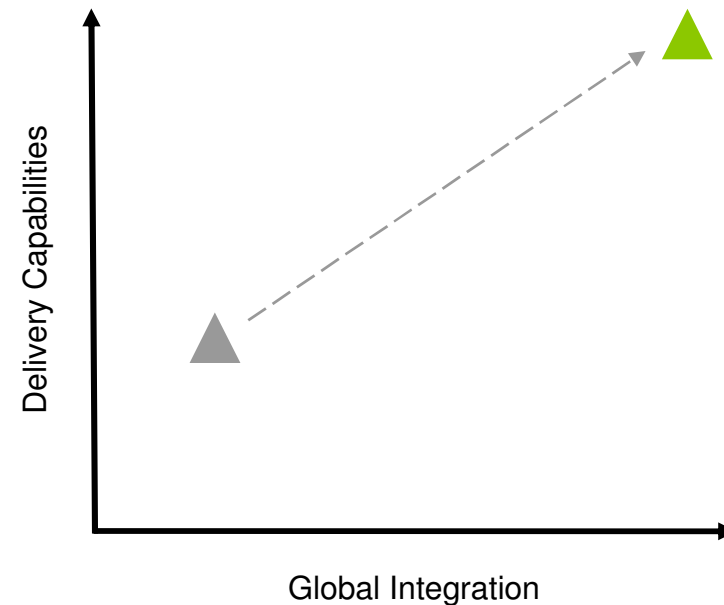
The application platform used to deliver products to consumers needed to be flexible enough to enable speed to market, while mitigating risks.

1. Achieve an appropriate balance - through a well thought-out sourcing model of local and remote resources. Shifting from labor-based thinking to services-based positions allow companies to compete more effectively in the marketplace by increasing productivity and minimizing cost, risk and time-to-market.
2. Sourcing oversight - providing balanced oversight over your Global Delivery Program is critical, it is a supply chain similar to that of any manufacturing company. All parties and variables must be proactively and carefully managed.
3. Resource diversification - do not put all your eggs in one basket, it could be the wrong one. Multiple geographies are advised to enable delivery to “follow the sun.” Where possible, leverage a geographic core competency such as housing testing in Ireland, development in India and design in North America.
4. Pick trusted global partner - with longevity in the chosen locale and in global integration experience, as well as inscrutable business practices. Careful scrutiny and selection are table stakes to successful global integration.
5. There are no free lunches - some firms may be cheaper in the short term, but you will get what you pay for – it takes longer and costs more money.

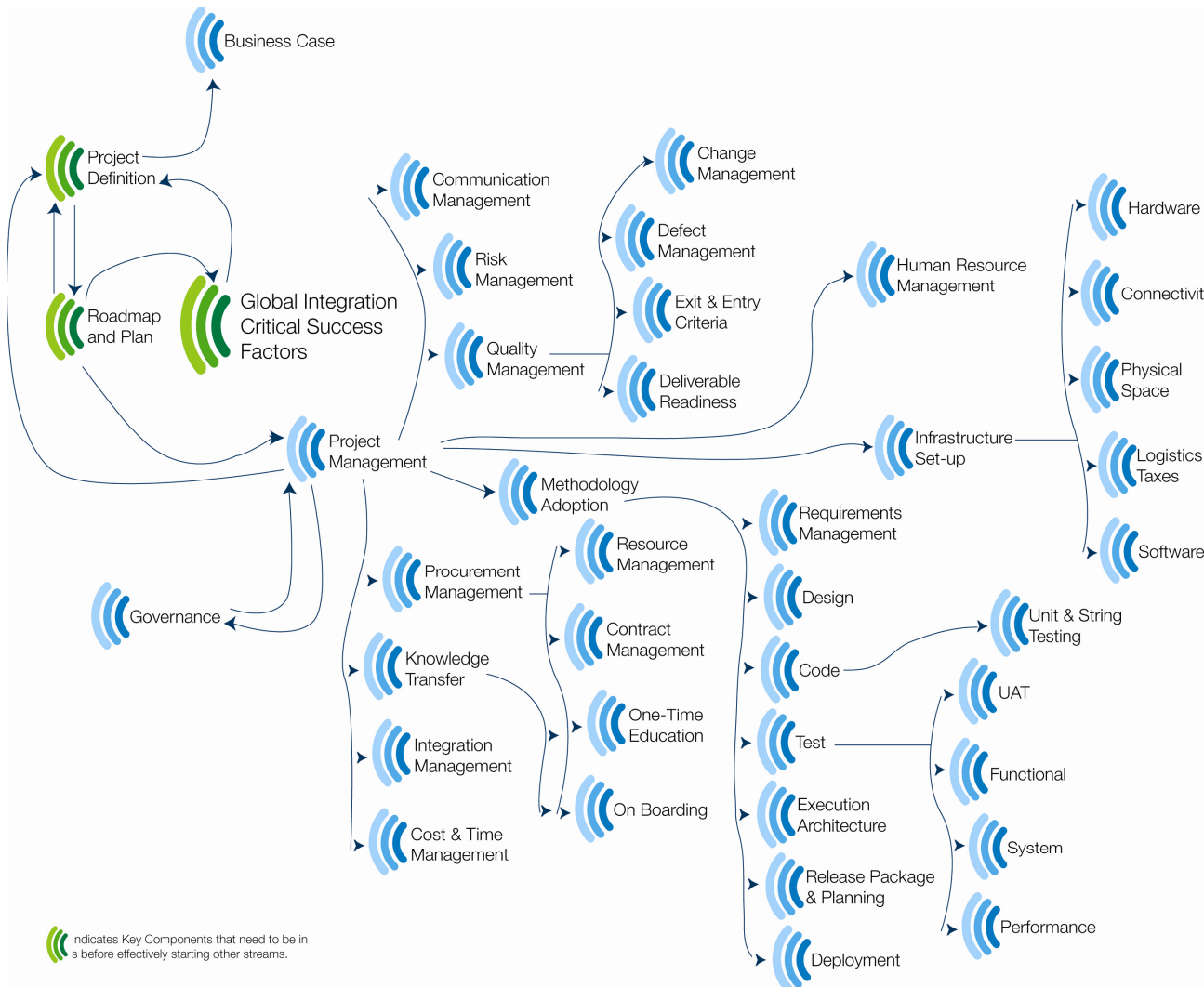
Getting started - as with any other major initiative, consider beginning the journey toward global integration while assessing the current situation.

1. Is your remote team performing lower than expected?
2. Do you believe the key to global integration success is getting workers to follow instructions?
3. Do your 1st shift and 2nd shift resources have trouble understanding each other in e-mail and conversation?
4. Are there vast differences in their education and training?
5. Are you able to move more intellectually complex work globally?

Figure: Assessing Position – where are you?



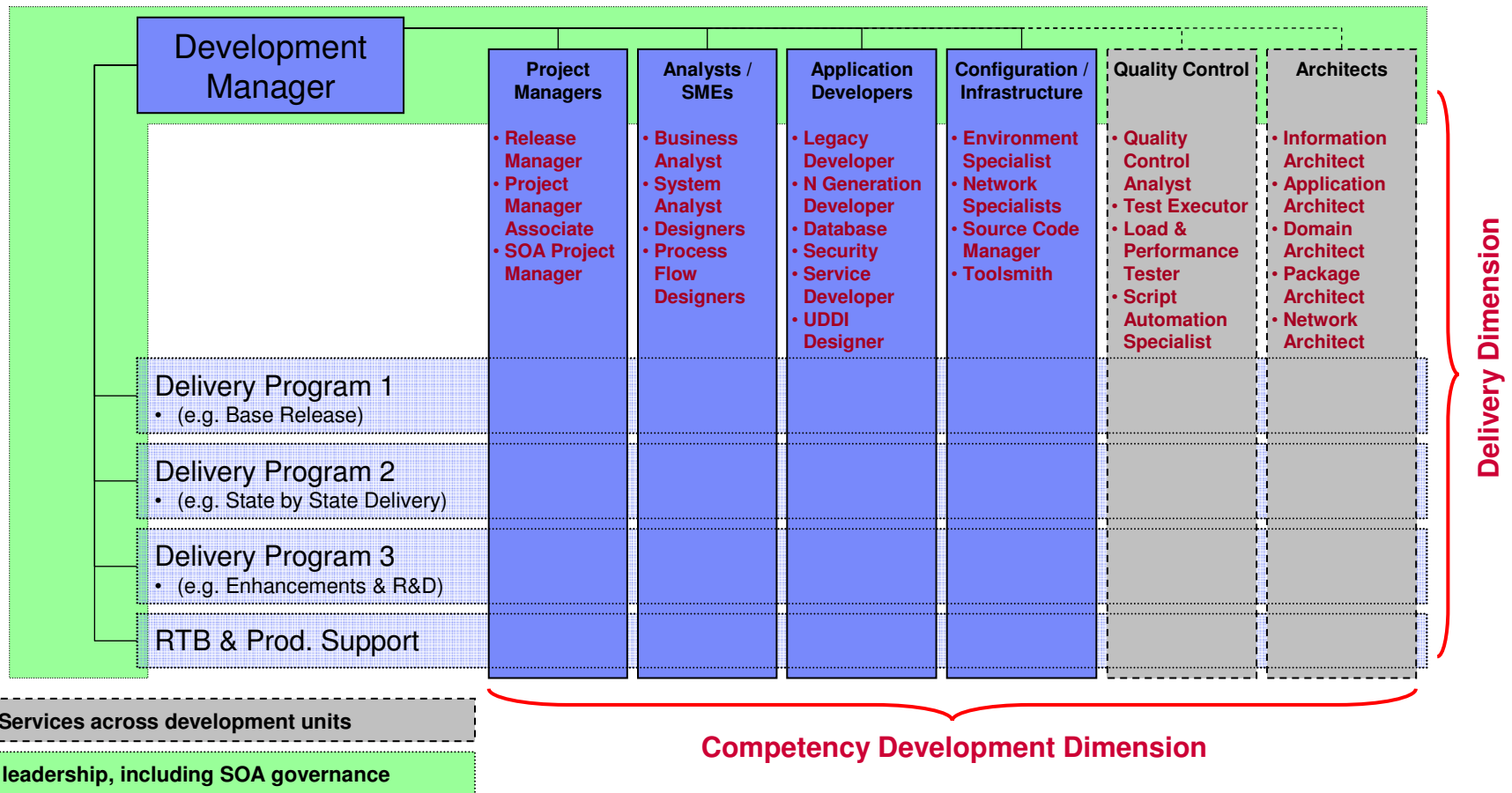
Techniques such as a mind map exercise can help identify critical success factors and interdependencies among all the critical components.



Source: Jose, S., Kelleher, L. and Lipien, D. The Globally Integrated Enterprise and the Insurance Factory Model. IBM Global Business Services. 2009.

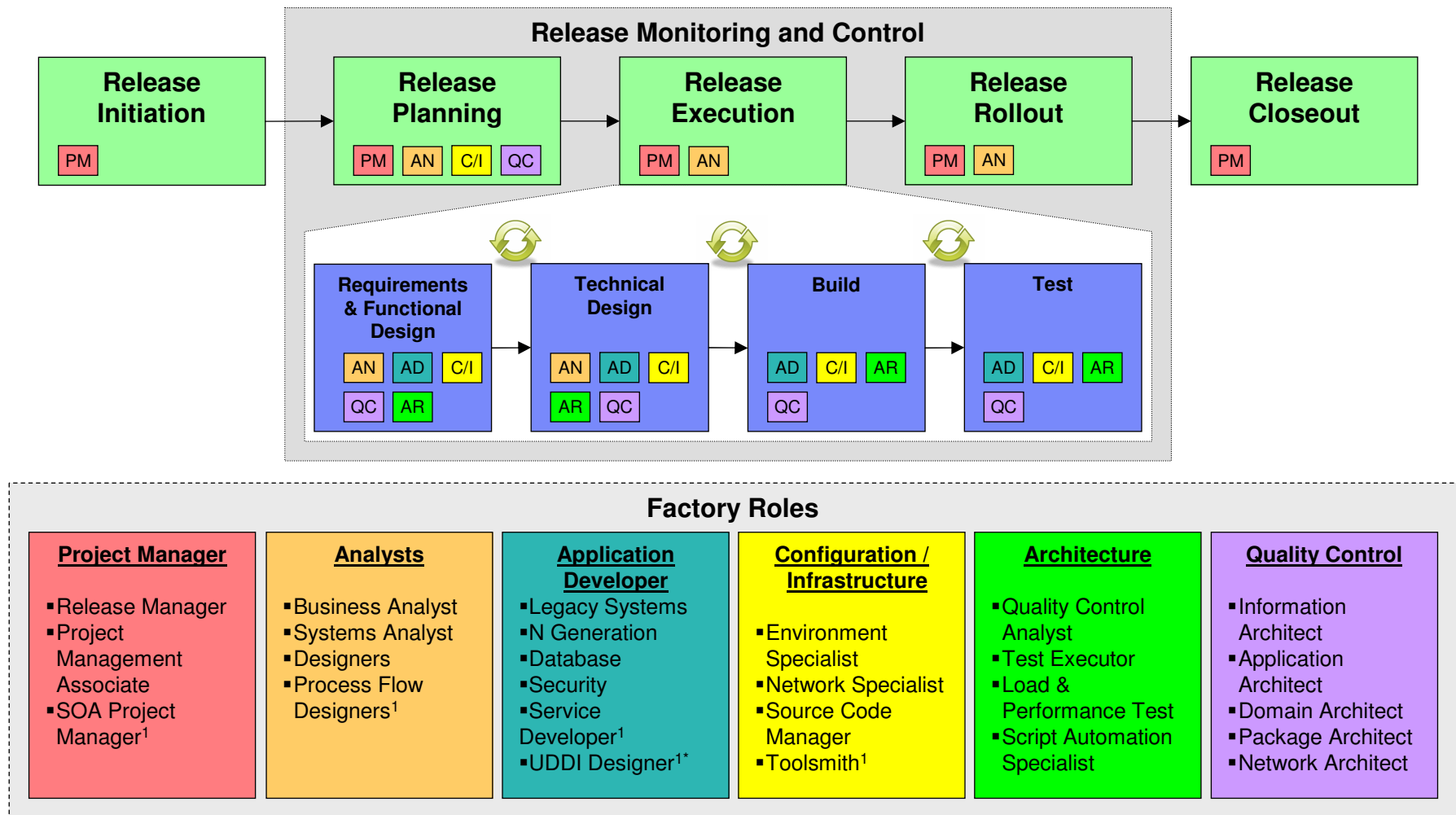
Create a model with an emphasis on core skills, consistency, repeatability, optimized productivity, estimating, scheduling accuracy and asset re-use.

- The factory model incorporates managed competency pools that are coordinated separately from project delivery. Development and maintenance work continues to be managed by project-specific teams and programs. Resources are managed by competency pools and deployed to delivery teams.



Source: Kelly, J. and Lipien, D. How a Factory Development Model Can Help Insurers Gear up For Success. IBM Global Business Services. 2007. Note: RTB – Run the Business and Production Support are separate but have been depicted as one in the illustration.

The Global Insurance Factory uses concepts, principles and disciplines similar to those manufacturers have employed for years – leveraging a repeatable approach.



Reference: 1 Emerging roles in SOA projects. * Universal Description, Discovery and Integration (UDDI).

The fundamentals of effective execution do not change. No technology solution, group of resources or cost savings precludes the need for the basics.

1. Methodology adoption - in all geographies. Developing clear documentation and traceability for Insurance Product Specifications.
2. High-quality project managers - to oversee/manage complex projects. CMMI level appraisal in delivery sites worldwide promotes consistent, replicable and effective processes, helping to allow global teams to identify and resolve issues faster.
3. Monitoring progress and costs - metrics should be assessed against a clear baseline to capture the total benefits of the approach, and allow for rapid identification and reinvestment of cost savings. In addition, firms must weigh their budget choices carefully.
4. Data security and privacy - protects intellectual property and sensitive data.

Managing collaboration amongst a global team who require unique needs involves intricacies often not present in non-global relationships.

Lessons Learned

1. Language and time gaps.
2. Not so obvious – management hierarchies and unique cultural customs.
3. Forrester Research states that a successful transition to a managed outcome relationship typically yields an additional 20 to 30 percent savings improvement beyond the benefit of labor arbitrage.
4. Approaches for improving communications and working around time zones and language gaps are widely published. However, none of these reports can provide as much value as an experienced on-site representative from the vendor company who upholds the culture and possesses a high emotional quotient.
5. All resources should be prepared to operate in a global environment in order to fulfill the needs of a globally integrated effort. Similarly, resources may be required to deliver on foreign soil. Global delivery depends on avenues of communication and effort that flow in multiple directions.



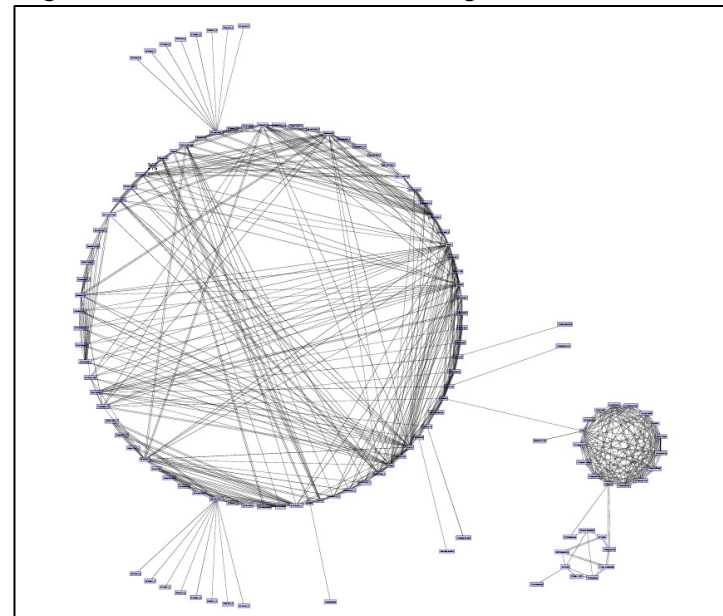
Dr. Srikanth India School of Business in a 2010 WSJ article “...new research suggests that effective coordination of work, rather than knowledge transfer, is what makes an offshore project successful...”

The emerging global economy introduces a vast and complex competitive landscape. There are multiple opportunities and pressures for all organizations.

Keys to Success

- 1. Automation and Technology.** Develop one standard approach to defining a strategy to leverage common tools.
- 2. Consolidation.** Balance resources across portfolios, increasing the overall flexibility of the resource pool.
- 3. Global Development.** Utilize global capabilities to provide planning and execution activities in lower cost locations.
- 4. Governance.** Establish sponsorship and align the organization to a common set of management standards.
- 5. People.** Implement programs to assess skills, and define roles and career paths.
- 6. Quality.** Provide capabilities to identify defects earlier in the development process and reduce the overall number of product software defects released.
- 7. Standardization.** Leverage best practice methods to drive consistency across portfolios.

Figure: Visual of Auto Quote Rate Navigation Rules



US Insurance Executive: “A system that writes personal line policies, for example, must not only meet our own business requirements but must also support every relevant state rule and federal regulation. There are a million combinations”

Good planning, hard work and the right team with the right attitude can lead to business outcomes that drive value.

Did we cover our outcomes?

- What levers can be pulled to reduce cost?
 - Offshore operations, move to common services, adhere to architecture and professionalize PM.
- How can a thoughtful balanced approach to global integration drive speed to market?
 - Factory Model, 24x7 SDLC and strong metrics.
- How can you mitigate risk in global integration models?
 - Achieve an appropriate balance, sourcing oversight, resource diversification, pick a trusted global partner and focus on cost - but not at the price of quality¹.



Mark Twain: “The secret of getting ahead is getting started. The secret of getting started is breaking your complex overwhelming tasks into small manageable tasks, and then starting on the first one.”

Reference: 1. Kelleher, L., Lipien, D., Ryan, J. and Newell, S. Quality Focus--What Can Be Learned From the Toyota Recall, stickyminds.com.