IBM `Information Management` software

A Formula for Success:
Managing for Profitable Growth with Smart Underwriting

In Brief

A recent Web poll conducted by Insurance Networking News found that 50 percent of respondents cited the many silos created from legacy systems as being the biggest data integration challenge they faced.

Source: Insurance Networking News, June 1, 2007

Introduction

The world of underwriting is becoming more and more complex. Insurance carriers must cope with an onslaught of laws and regulations as their underwriters consider applications for coverage. Their underwriters must also navigate the plethora of information to make an accurate and disciplined assessment of risk while insurers are being pressured to grow premium volume. Carriers must also protect the information they use from identity theft and abide by privacy requirements while also retaining critical records for future reference in the event of litigation or complaints.

Challenges

The biggest challenges facing insurance carriers are increasing competitive pressures, industry consolidation, struggles to maximize profitability, expanding distribution channels, and meeting service expectations of agents and customers alike. To confront these challenges, insurance carriers must devote their efforts to initiatives that will improve their management of risk, increase employee efficiency and effectively cope with the complexities of supporting a multi-channel distribution environment. By providing proper risk management in less time through efficient underwriting,

insurance carriers can achieve solid gains in productivity and bottom-line profitability.

The business of insurance underwriting begins with a submission from agents, direct writers, insured, banks, affinity groups and/or the carrier's call center. These submissions can be sent via fax, through traditional mail or transmitted electronically through a carrier's website. The use of the Web has changed the dynamics of the insurance market allowing many carriers to implement a direct sales channel bypassing agents. The Web also enables carriers to offer another way for their customers and partners to conduct business with them. More and more carriers are deploying Web portals to deliver Web-based quoting, expedite application submissions and enable agents and customers to access self-service capabilities, all in an effort to expand their market share. Carriers are now challenged to process more applications, in less time, with better content – all at a lower cost per transaction.

IBM Enterprise Content Management Helps Manage Underwriting Processes and Content

To improve the productivity of their underwriters as well as the quality of the underwriting, carriers must

have control over their content and processes used to underwrite policies. In a world where the amount of information grows exponentially and the means of communication continues to change, carriers must manage this flow of information, its use and ultimately, its retention for future documentation. One way to manage this content and its related processes is with IBM Enterprise Content Management (ECM).

The Value of Experience

The process of underwriting centers around three areas: the expertise of the underwriter, the content submitted with the application and the processes used to evaluate the risk. Underwriters evaluate risk based on the information presented and also leverage their own experience in determining the risk involved. Carriers can strive to improve productivity of their experienced underwriters by reducing the number of administrative tasks and allowing them to focus on the core skill of underwriting.

Managing Underwriting using IBM FileNet Business Process Manager

Oftentimes, applications are submitted to underwriting with incomplete information. As a result, the underwriter cannot complete the evaluation until all information is received and usually it is the underwriter who is the one requesting the missing information. This task is easily handled automatically with a workflow managed by IBM FileNet Business Process Manager that determines what information is missing from an application and triggers requests for

the missing information. Underwriters can also use Business Process Manager to initiate workflows to detect fraud or other high risk criteria by checking submissions based upon established parameters and then flagging those for exception handling that fail to meet certain parameters.

It is an arduous task even for the most experienced underwriter to manage the underwriting process according to all the rules, rate and form filings. The number and complexity of rules continues to grow whether they are rules required by regional, state (department of insurance) or provincial authorities concerning the limits and requirements to accept or decline a risk, the U.S. federal government's rules regarding the privacy of medical information, or a carrier's own contractual rules. Business Process Manager also provides the capability of implementing workflows based upon rules engines to ensure that rules and regulations are followed uniformly within any underwriting organization. Each process automated saves an underwriter time, reduces mundane and repetitive tasks, and can allow an underwriting department to run more efficiently and effectively.

Business Process Manager helps carriers manage workloads, enforce letters of authority, evaluate business performance, analyze productivity, efficiency and cycle times within their underwriting departments. Applications along with supplemental documents can be automatically routed to an underwriter for review based on predefined workflows and rules. Exceptions are handled easily and can be routed to the proper expert for review. Underwriting managers can

also effectively improve the workload within a department by analyzing processes, identifying bottlenecks and incorrectly assigned tasks, and then use Business Process Manager to correct these processes.

Gaining Control over Content

For accurate risk assessment, underwriters require access to the most relevant and most current information. The challenge of managing this content is twofold: the amount continues to grow, and information is submitted in a variety of unstructured and structured formats. Structured content can be stored and accessed in databases while unstructured content cannot be stored in a database. Examples of unstructured content include correspondence, physical reports, faxes, electronic documents, emails, voice recordings, instant messages, chat sessions and rich media. Experts estimate that unstructured content accounts for 80 percent of all information in an enterprise. For applications and supporting documentation that are submitted as unstructured content, a carrier can organize, scan, index and store this content submitted using IBM FileNet Image Manager Active Edition. Furthermore, IBM FileNet Capture ADR can perform advanced character and context recognition, streamlining the intelligent classification of content. Once paper documents are scanned and indexed, they can be shredded, eliminating the need for off-site storage and the costs associated with maintaining such storage.

To ensure that underwriters have access to all the most relevant and current digital information, carriers

can use IBM Content Manager Enterprise Edition to manage all their unstructured content across multiple platforms, databases and applications, regardless of where it resides, even physical records. Content Manager Enterprise Edition protects sensitive data during its full life cycle from submission of the risk, to quote, to policy issuance and administration, to endorsements, to claims handling and finally, to data archive.

Managing Records for the Future

Managing records within an underwriting department accomplishes two important objectives. First, it is a way for a carrier to document its policies and procedures. And, second, it is essential to maintain the documentation needed to justify why an application was accepted or denied, easing the demands of market conduct examinations. Because of strict records retention policies, carriers must maintain all the information that accompanies an underwriting application for a set period of time. IBM's ECM product line supports comprehensive records management for electronic and physical records including email management and electronic discovery. Regulatory and legal discovery requests often focus on information contained within a carrier's email records.

With each submitted transaction, communication to the agent or the customer may occur in the form of an email, letter, voice mail or instant message. If the carrier allows the individual underwriter to decide which email, letter, instant message or phone

message is to be retained, the carrier may not capture all the necessary documentation in the event of litigation or a regulatory inquiry. IBM FileNet Records Manager utilizes FileNet ZeroClick™ technology to ensure that records are consistently and accurately captured, classified and authenticated according to the carrier's established records and information management policies.

IBM ECM

Underwriting operations are an enabler of top-line growth and profitability. To improve underwriting profitability and to capitalize on new market opportunities via new products or new channels, carriers are deploying IBM ECM software solutions. IBM ECM helps underwriters make better decisions faster by managing content, optimizing business processes and enabling compliance through an integrated information infrastructure. IBM ECM solutions are installed at 24 of the top 25 insurance companies, making it the leading ECM provider in the industry. For more information, visit **ibm.com**/software/data/cm.