



Creating value

*IBM in the
insurance industry*

Creating value in insurance today

Value creation in today's insurance marketplace is often an elusive goal, especially in the face of adverse market conditions. A set of groundbreaking studies by IBM in the insurance industry revealed that successful companies excel at the basic business fundamentals, including:

- Sound underwriting*
- Excellent claim service*
- Insightful customer segmentation*
- Efficient policy administration*

These areas are heavily dependent upon IT systems to enable the business processes. Yet, the IBM studies showed that a mere 15 percent of insurance firms are leveraging IT strongly for value creation today. In fact, more than 65 percent of IT spending for most companies goes to maintain last-generation technologies. Future business value will depend increasingly on intelligent investments in new technology solutions to better support the core insurance fundamentals.

Creating value through sound technology investments

It's right there, at the intersection of business and technology, that IBM can help. We're continually working with industry leaders worldwide to transform their enterprises to create value. For example, a number of insurers are now preparing for the next stage of e-business, called e-business on demand. On-demand companies will create value in a number of ways, including:

- *Responding with unprecedented flexibility and speed to any customer need, market opportunity or external threat.*
- *Improving cost structures dramatically, scaling their operations up and down easily in line with market demand – or spinning off entire areas of business that would be more efficiently and effectively handled by partners.*

- *Maintaining the security, availability and performance of their operations through unexpected spikes in volumes or even major disasters.*

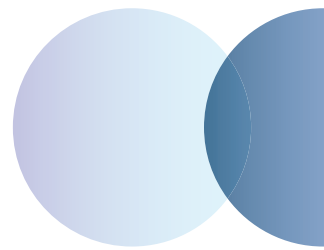
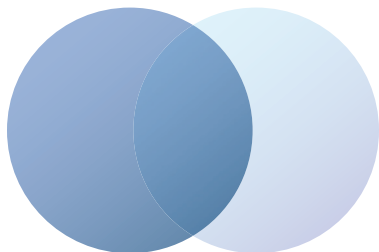
Insurers will achieve these competitive advantages by building highly integrated business and technology capabilities – not just within the enterprise, but right across the entire value chain.

IBM brings decades worth of experience and industry insight to help insurance firms create value, not just today but in tomorrow's world of e-business on demand. We have a clear direction for the future, backed by extensive research and development. For example, through our Insurance Solutions Center in Waterloo, Canada, we collaborate with leading academics at the University of Waterloo and insurance companies to explore new solutions for the insurance industry.

We've translated that intellectual capital into a comprehensive suite of offerings for insurance that include:

- *Insurance Transformation Solutions*
- *Insurance Transformation Infrastructure*
- *Insurance Transformation Services*

At the heart of our value proposition is what we call our "accelerators": a unique set of insurance assets, methodologies and practices used to jump-start and reduce the time and risk for implementing solutions. With these accelerators, IBM can help your organization focus on all the elements required for successful change – process, technology, people and culture – while enabling benefits through your IT investments to be realized sooner.



Creating value through new solutions

IBM has developed a comprehensive suite of integrated solutions that support transformation across the enterprise. We have also enhanced our portfolio of Business Partners to offer insurers a wider range of solutions for specific countries and lines of business.

Insurance Transformation Solutions

IBM Transformation Solutions can be implemented rapidly or in a phased

approach, based on the greatest potential for value creation. Solutions include:

- *Core Insurance solutions to increase the efficiency and resiliency of underwriting, policy administration and claims processing*
- *Multi-channel Insurance Distribution solutions to support channel integration strategies among Web, wireless and more traditional access channels*

- *Customer Insight solutions to enable insurers to develop highly relevant bundles of insurance products and services tailored to individual customer needs*
- *Enterprise Resource Management solutions to leverage financial and human resources more efficiently to create value*

Creating value through a new infrastructure

Speed, efficiency and flexibility demand a robust, scalable underlying IT infrastructure that supports enterprise transformation. The open standards, component-based IBM Insurance Transformation Infrastructure supports value creation across all core IT competencies: data, portals, integration, network connectivity and application development.

Insurance Transformation Infrastructure

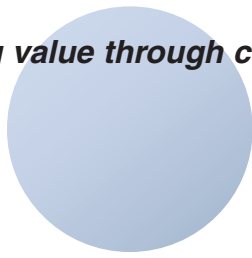
The IBM Insurance Transformation Infrastructure is based on our experience in designing and implementing insurance IT infrastructures as well as our world-class software and hardware platforms. In addition, our Insurance Application Architecture (IAA), used

by 18 of the top 20 insurance firms worldwide, provides strong industry content in the development of the insurance infrastructure. Companies using IAA process more than one-third of global insurance premiums today. It features widely adopted industry models and process workflows, as well as stable, highly integrated technologies (including pre-integrated components) including:

- *IBM DB2,[®] used by most of the world's top 20 life insurers as a unified framework for accessing and managing enterprise information*
- *Lotus[®] collaboration and messaging solutions, the number one provider of integrated collaborative environments worldwide to increase productivity and teaming*

- *Tivoli[®] software from IBM, used by half of the world's 100 largest insurance companies to maintain infrastructure security, performance and availability*
- *IBM WebSphere,[®] used by the top 10 insurers in the world and three-quarters of the top 50 for its fully integrated, industry-leading middleware, portal and application development environments, including IBM WebSphere Business Integrator for Insurance*
- *IBM @server[™] Series, renowned for delivering high availability, high performance and scalability for even the largest insurance operations*

Creating value through comprehensive services



The IBM Business Consulting Services team offers the largest pool of industry insight and expertise in the world, ready to help your organization create value. We've tried and tested our methodologies in leading major initiatives worldwide.

Insurance Transformation Services

IBM offers end-to-end services to support insurance transformation, including:

- **Core Insurance Diagnostics**, a process designed to assess current capabilities and identify areas

where value creation can be improved, resulting in a long-term core process master plan and an incremental project path to achieve specific ROI objectives

- **Insurance Optimization**, a set of service offerings aimed at improving business and IT cost structures through business process improvements and/or consolidation or migration of application systems
- **Insurance Modernization**, a set of service offerings aimed at revamping existing legacy systems by surrounding them with new

technologies to facilitate greater integration across the enterprise and enable rapid development of new functionality

- **Insurance Outsourcing**, a set of service offerings and capabilities to manage specific components of a client's IT operations (e.g., data center, application development, network management) and/or business functional units (e.g., human resources, procurement, service center), achieving a reduced cost structure

Creating value with IBM

There are no cookie-cutter solutions in the world of insurance. Each firm must find its own unique way to drive value and achieve intelligent growth. What works for personal lines motor insurance in Japan will not be the same for workers compensation in the United States or stakeholder pensions in the United Kingdom.

IBM is uniquely positioned to help insurers around the world develop winning strategies for value creation. We have been a primary partner to the global insurance industry for decades. That experience translates into deep industry knowledge and fresh strategic thinking for insurance today.

For more information

To find out more about how IBM can help your organization create value, visit our Web site at:

ibm.com/industries/financialservices

Or, plan to visit one of our Insurance Solutions Centers in strategic locations around the world.

IBM in insurance highlights

- More than 15,000 employees in dozens of countries dedicated to the industry – the largest combined IT and business infrastructure and professional organization serving the industry today
- More than 25 patents filed by IBM Research since 1999 applying advanced technology to insurance in areas such as fraud, electronic signatures, usage-based insurance and data mining
- Over \$1.5 billion in strategic outsourcing contracts since September 2001; over \$6 billion in the last five years
- Almost one billion transactions per day handled by IBM data management products
- Over one billion insurance transactions per day processed on the IBM @server zSeries™ platform



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