IBM

Kyobo Life transforms business processes to become customer-centric enterprise.

Overview

■ **Challenge**
Out-of-date business processes kept Kyobo Life from responding to customers' needs for new insurance products, limiting its ability to compete successfully in the Korean insurance market

■ **Opportunity**
With integrated core insurance and delivery systems, Kyobo would be able to respond quickly to customer queries and introduce new products to the market faster than its competitors

■ **Solution**
Realtime, customer-centric core insurance system uniting all customer channels, allowing enhanced service, reduced costs and an improved competitive position

■ **Key Benefits**
$20 million in annual savings, including savings from a 34% reduction in teller processing time, $800,000 in printing and distribution costs, $240,000 in interest cost and $240,000 from automated payments to customers' accounts; 83% reduction in time to market for new products
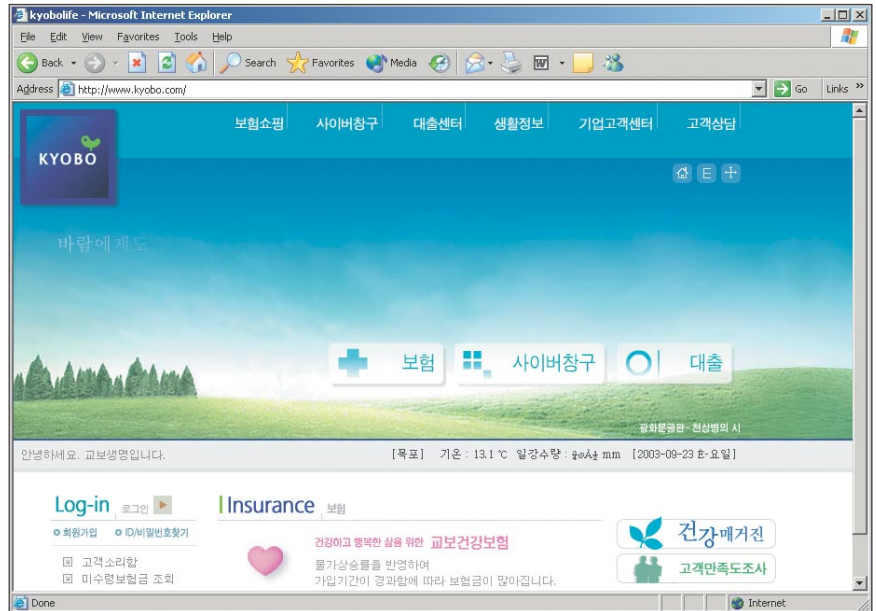
Since it was founded in 1958, Kyobo Life Insurance has been closely associated with the support and development of education and literacy in Korea.

Kyobo Life Insurance (Kyobo Life), headquartered in Seoul, Korea, was established in 1958 and has been contributing to the growth of the Korean insurance industry for 46 years. Under the strong leadership of its CEO, Kyobo Life began in 2000 to undertake a series of strategic initiatives to transform its business management practices to reflect its shift from a volume-oriented enterprise to one focused on creating value for the customer. By achieving this goal, the company aims to be its target customers' preferred insurance company in Northeast Asia by 2010.

"NICES is part of the change and innovation cycle, which results in effective and essential systems that ensure competency in a financial institution."

– Mr. Chang-jae Shin, CEO, Kyobo Life Insurance

e business

Rapidly deploying e-business applications in an open environment

Business Benefits

- Ability to create customized products using rules-based product system, resulting in 83% reduction in time to market for new products
- New system can help company respond to customer demands with offerings such as Family Account, for which Kyobo Life has been given exclusive rights in the Korean market
- NICES enabled Kyobo to save $20 million from faster and more convenient processes

Listed among the Fortune Global 500 companies, Kyobo is the second largest life insurer in Korea, with 5.5 million customers, 4,200 employees and more than 25,000 life planners who function as agents. In its most recent fiscal year, Kyobo posted total assets of $298 billion, premium income of $80 billion and a net profit of $356.6 million.

Korean government regulations permit insurance companies to offer innovative new products in order to compete and capture market share. However, disconnected, obsolete business systems and ineffective customer service were hampering Kyobo Life's ability to compete by providing customers the products and services they wanted. The company's policy offerings were based on its many lines of business, each of which had its own legacy applications and systems. If there was market potential for a new product spanning multiple lines of business, the company didn't have the flexibility to quickly design and release it, which limited its ability to compete effectively.

In addition, Kyobo Life's customer service was slow. Claims payment cycles took too long. Duplication and errors in customer data were further eroding the quality of service — and costing money to correct. Kyobo Life's legacy IT systems could not support a consistent menu of services for all of its delivery channels, including call centers, branch offices, Web-based services and automated teller machines (ATMs). The different channels did not have access to consistent data, which caused errors and drove up costs.

These problems prevented Kyobo Life from responding to fast-changing customer requirements and market conditions, threatening the company's long-term growth strategy and market share.

Transforming core insurance systems

To address these issues, Kyobo Life needed to transform its core insurance systems to provide integrated, responsive customer service across all its channels, as well as a strong foundation for future growth. With enhanced product support, Kyobo would be able to introduce new products to the market faster than its competitors. In addition, a centralized data system would allow the company to deliver better customer service.

Improved customer service

Working with IBM Business Consulting Services, Kyobo Life built a new, realtime, customer-centric insurance system designed to be fast, flexible, easy to maintain and quick to integrate with legacy systems for new product creation and better customer service. With the ability to control accuracy by using single points of data entry, the new system, called NICES (New Insurance Systems for Customer Emotion and Satisfaction), provides the same customer account information to all channels — 24 hours a day, 7 days a week. And by integrating customer and product information, the new system helps Kyobo Life respond to competitive pressures by offering the tailored package policies that customers want.

The NICES system includes operational processes for all divisions of Kyobo Life, including underwriting, policy administration and claims. Employees, tellers and agents can concentrate on serving the customer rather than on back-office functions. Furthermore, the simplified IT structure of NICES, based on open standards such as Java™, allows Kyobo Life to concentrate on the insurance business, rather than technology.

The NICES system allows customers to answer many of their own questions, so tellers can focus on customer satisfaction. Agents can maximize their insurance selling opportunities because they do not have to answer routine questions. The new system is user friendly, allowing agents to perform many transactions independently — such as providing quotations and issuing receipts — without help from administrative and underwriting personnel.

"NICES is part of the change and innovation cycle, which results in effective and essential systems that ensure competency in a financial institution," says Mr. Chang-jae Shin, CEO of Kyobo Life. "NICES has enabled us to provide differentiated, high-quality services by empowering our agents to understand and use IT systems."

Building efficiency and competitiveness

According to Mr. HaeSeok Lee, a former NICES project manager who currently leads IT System Division 2 of Kyobo Life, the NICES implementation had four distinct tracks, each with its goal of improving efficiency, productivity and competitiveness. "We created differentiated services for customers by transforming our business processes from policy-centric to customer-centric, reducing process time drastically," says Lee. "We greatly improved employee productivity by delegating workloads to agents, who execute transactions using PCs. To ensure competitiveness, we enhanced our IT infrastructure and equipped it to support made-to-order products, such as Universal Life and Variable Life. And we created Web-based, 24x7 access to insurance transactions integrated enterprisewide with our customer database to improve our employees' productivity."

Choosing best-of-breed software

Pleased with IBM's extensive experience implementing large-scale insurance system architectures, Kyobo Life engaged IBM Business Consulting Services to provide initial Planning and Requirements analysis followed by Design, Development and Testing. As part of the testing phase, IBM launched a Pilot Project to verify system architecture and performance. IBM also conducted a major data migration from Kyobo Life's numerous line-of-business and product-based systems to the NICES system, and trained a core team of senior agents.

"We initiated the NICES project to provide differentiated services by quickly responding to the needs of customers and changes in the insurance environment. And we've succeeded on all counts."

– Mr. Joo-hyun Hwang, CIO and Director of Information Systems, Kyobo Life Insurance

The developers created a flexible solution using industry-standard Java applets that would be adaptable to future needs without expensive repro-gramming. They used IBM WebSphere Studio Application Developer to create the solution's easy-to-use screens and Java applets. To develop the robust business logic and business rules that make NICES so responsive to custom-ers' needs, the developers used IBM VisualAge Generator.

A scalable IBM HTTP Server distributes the applets and accesses IBM CICS insurance processing applications on Kyobo Life's back-end IBM @server zSeries mainframe. IBM WebSphere Edge Server delivers load balancing and caching to ensure scalability. IBM DB2 Universal Database serves as the information repository that powers the data-intensive applications. zSeries systems in a Parallel Sysplex configuration provide the fast and stable environment necessary for processing mission-critical transactions — even at peak times. An IBM UNIX processor-based server was used for testing.

Robust insurance-processing model
IBM had recently completed the imple-mentation of the Strategic Insurance Information Generation and Management Architecture (SIIGMA) software at another major Korean insurer. Kyobo Life evaluated the IBM Insurance Application Architecture (IAA) and decided that, together with SIIGMA, this architecture could best meet its needs. IAA is adaptable to any type of insur-ance organization, using models to define the core business concepts required. The IAA content represents about 80 percent of the concepts required for re-engineering an insur-ance business — and can save years of development effort.

Creating a more efficient enterprise
The largest IT project in Kyobo Life's history, the $50 million NICES initiative transformed Kyobo Life's 40-year-old technology into a resilient customer-centric system.

With NICES, Kyobo Life has seen a $20 million annual savings, which includes savings from a 34 percent reduction in teller process time, $240,000 in interest due to customers, $800,000 in printing and distribution costs and $240,000 with automated transfers of payments to customers' bank accounts.

The NICES system has also shortened the time for new product programming by 83 percent, allowing Kyobo Life to develop competitive new insurance products in one week rather than three months. "We initiated the NICES project to provide differentiated services by quickly responding to the needs of customers and changes in the insur-ance environment," says Mr. Joo-hyun Hwang, CIO and director of information systems. "We also wanted to create a resilient system architecture capable of supporting various customer-centric products, and to maintain our com-petitiveness by having a Web-based technical architecture for the Internet environment of the 21st century. We've succeeded on all counts."

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