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Business Without Limits.

July 23 | Vineyard Hotel and Spa, Cape Town

Smarter Insurance

Harry Lewis

23 July 2013 – V1.2



<https://www.facebook.com/IBMSouthAfrica/events>



#IBMBC2013



2013 IBM Corporation



Smarter Insurance



AGENDA

- 
- Smarter Insurance Trends
 - Forces of Disruption in Insurance
 - How are insurers responding?
 - IBM Insurance Solutions
 - IBM point of view on an Insurance Mobile Strategy
 - Predictive Analytics Case Study in Insurance
 - GISC Dallas and La Gaude



Insurance



Insurance is the equitable *transfer of the risk* of a loss, from one entity to another in exchange for payment.

Roleplayers: Insured, Intermediary, Insurer



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Smarter Planet evolution includes three interrelated trends



+



+



Instrumented

We are seeing the infusion of broader sets of information more deeply into the systems and processes we depend on, generating ever-greater knowledge

Interconnected

Objects, systems, and people communicate with each other in meaningful ways, creating intentional systems. And these systems communicate, creating systems of systems. And so on.

Intelligent

As systems grow, intersect and overlap, new kinds of decision making emerge. This leads to new kinds of insights, and then to new ways of thinking and working. Then to new industries. Then to new markets.

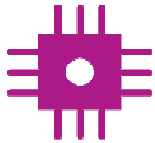
The interactions and overlaps between these three waves of technological change offer opportunities for insurers to innovate

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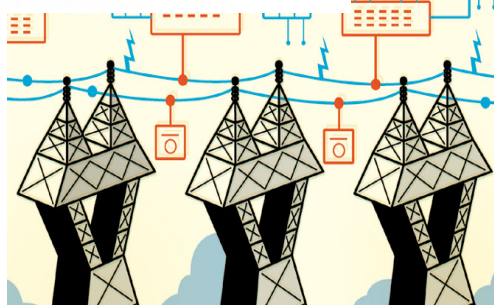
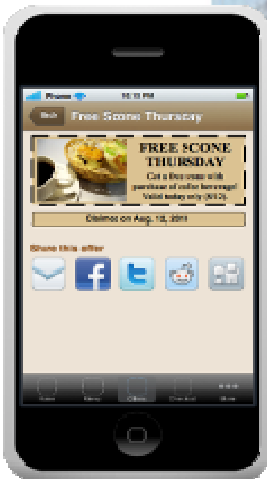
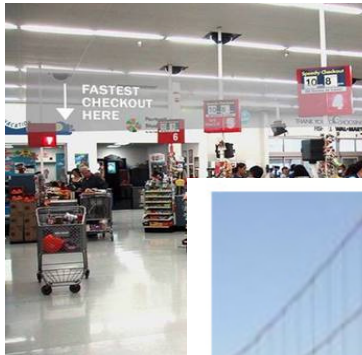
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What's Going On?



INSTRUMENTED



We now can sense far more data about location, condition, and underlying risk

Example Technologies...

- RFID (Radio Frequency Identification)
- GPS (Global Positioning)
- Smartphones
- Home automation and metering
- Personal fitness monitoring: cars, bikes, feet
- Smart pills
- Stress sensor relays
- Onboard diagnostics: planes, cars, appliances
- Smart toys

Evidence In the Field...

- 4 billion RFID tags sold in 2012
- Global home automation market will grow from USD \$16B in 2011 to USD \$47B in 2018
- Google self-driving cars: 300,000 miles, zero computer-directed accidents

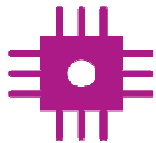
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How are industries leveraging this?

Internet of Things



INSTRUMENTED

Insurance:

- Tracking container shipments around the world
- Scanning VIN information for faster quoting
- Commercial insurer monitoring of supply chain conditions for fresh produce
- Auto telematics enabling both “pay as you drive” and driver behavior monitoring and modification
- Secure RFID tags to aircraft parts to verify recommended maintenance



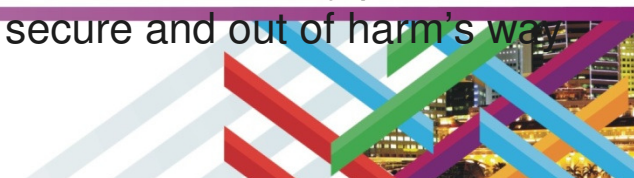
Retail: Sensors note shoppers’ profile data

Help close purchases by providing additional information / discounts at point of sale

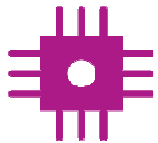


Healthcare: Sensors monitor patient location

Hospitals monitoring babies and elderly patients to ensure they are kept secure and out of harm’s way



Potential Market Disruptions



INSTRUMENTED



Instrumented players disintermediate risk

- Home security and monitoring
- Health and fitness providers
- OEM telematics

Shifts in risk fundamentals

- Crash-less, theft proof autos
- Human genome impacts on mortality
- Physical / virtual risk concentration and emerging hazards

Radical shifts in monitoring

- 24/7 geo location
- Life logging / surveillance society
- Social instrumentation



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What's Going On?



INTERCONNECTED



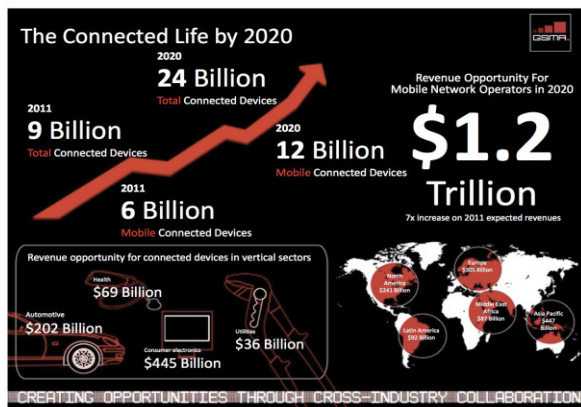
People, systems, and objects *communicate* and *interact* in new ways

Example Technologies...

- Mobility
- Ubiquitous computing
- Social networking / microblogging
- Affinity communities
- Reputational markets
- Smartphone NFC
- Biometrics
- Personally linked devices
- Spoken Web

Evidence In the Field...

- Facebook reaches 1B active users
- Smartphones reach 1B active users and are now over 50% of US install base
- Mobile, connected devices now outnumber humans



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How are industries leveraging this?

Social, Mobile Business



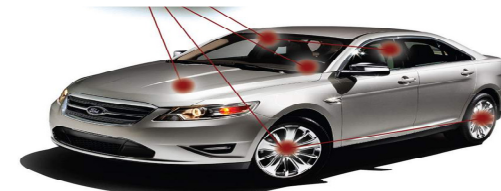
INTERCONNECTED

Insurance:

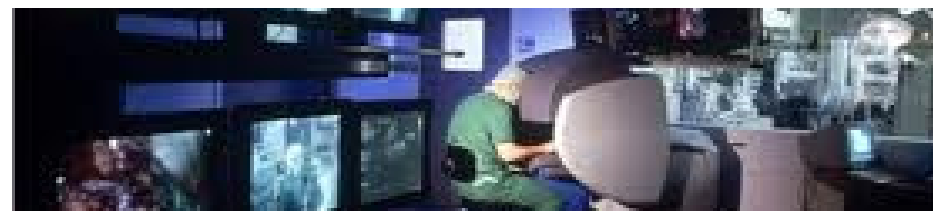
- Micro insurers issuing policies via smart card, collecting payments via SMS
- Deployment of full suite of life / annuity illustration tools via iPad
- E-Signature now legally permissible throughout US
- Rating / reviews of insurer products being encouraged by insurers
- Field agents using social media “skunkworks” to generate high volumes



Travel: AirAsia has over one million Facebook fans and announces new flight launches there



Automotive: Ford MyKey restricts car features based on driver characteristics



Healthcare: Telesurgery and psychiatry now being performed by remote practitioners



Potential Market Disruptions



INTERCONNECTED



Aggregators disrupt pricing, connections, structure

- Broad financial service referral engines
- Narrow “broker direct” channels
- Financial advocates, e.g. health payments managers

Advice source shift

- Trust advantage of affinity networks
- Reputational advantage of gurus
- Viral PR

Financial transaction restructuring

- Swipe-to-pay enables new POS models
- Merged payments and insurance products
- On-demand coverage

New forms of risk pooling

- Automated hedging based on public data
- Secondary risk market accumulators
- Reemergence of mutual societies



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What's Going On?



INTELLIGENCE



Systems can understand *context*, *predict* change quickly, and *optimize* for future events

Example Technologies...

- Deep QA
- Big Data
- Microforecasting
- Stream Processing
- Identity Analytics
- Semantic Analysis
- Agent Coaching

Evidence In the Field...

- Watson has beaten the human record holders of US English trivia quiz show Jeopardy!
- 2.5 quintillion bytes of data created every day
- iPhone now more powerful than the onboard computer for the moon landing

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Where is it being applied?

Customer Insight, Informed Interactions



INTELLIGENCE

Insurance:

- Calculating customer propensity to accept a new call from their agent
- Full-fledged scenario planning for catastrophe modeling using multiple impact hypotheses
- Illustration tools for agent/customer interactive conversations
- Health insurer augmenting doctors' diagnoses with Deep QA
- Specialist insurer using analytics to detect contract deviations



Energy: A Danish wind turbine maker replaced industry models with real data from its own customers to determine optimal placement of turbines based on detailed weather factors, as well as power forecasting.



Government: Social media analysis helped UN predict unemployment in the US and Ireland four to five months ahead, by simply analyzing the chatter about work in the months before people lost their jobs.

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Potential Market Disruptions



INTELLIGENCE

Augmented / Replaced Agents

- Commodity products sold in automated fashion
- Humans focus on high-value-add selling
- Underwriters, claims adjusters, risk managers expand expertise with intelligent assistants

Customer Knowledge Interlopers

- Google, Facebook as relationship brokers
- Financial payments providers upsell other products
- IFAs and advocates take customer sides

Increasing role of regulators

- Disqualification of underwriting criteria
- Capital (dis)advantages due to embedded use
- Reemergence of mutual societies



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Four major trends are apparent across the world



Globalization



“In the shift from domestic to global, there is a sense of crisis-propelled globalization.”

Professional Services CEO,
Japan

Demographic shifts



“Demographics, a decline in birth rate and in labor population, all have significant impact on our business.”

Travel & Transportation
President, Japan

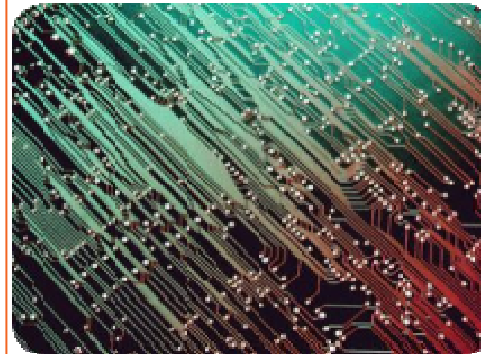
Social networks and mobility



“Mobility and social networking are key drivers to innovate new business models.”

Professional Services CEO,
Turkey

Data explosion



“Big data will be a key differentiator in terms of information about customers, preferences etc.”

Banking CEO, USA

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Evolution of customers into “Digital Natives” is a significant force of disruption for insurance industry



Gen Yers
21~38



- Prefer multi-tasking and process information differently from their predecessors

- Prefer games to serious work and often use this medium to collaborate and get things done

- They choose when to pay attention...are interested in details only when they want them



Gen Zers
5~20

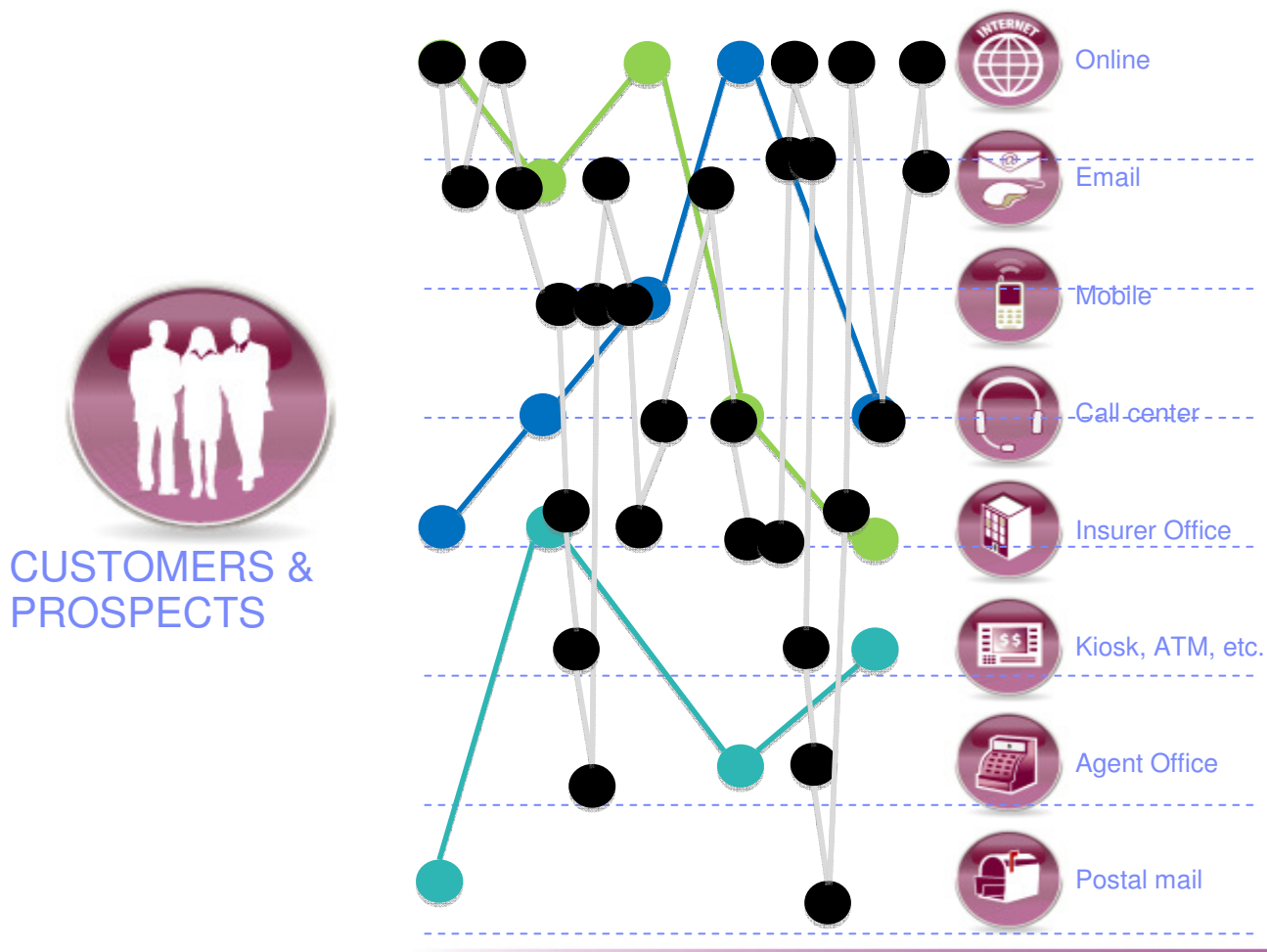


Increasing customer base

Native speakers of digital language



Insurance customers have also become truly multi-modal



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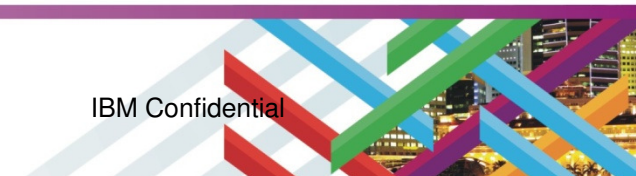


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Insurance leaders are focusing on four imperatives to drive competitive advantage and differentiation

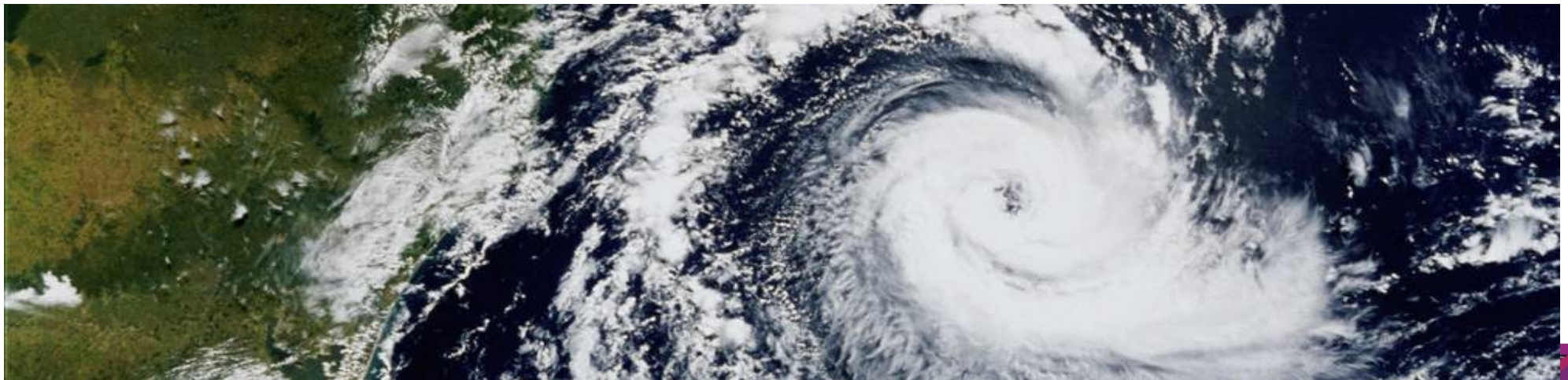


Increase flexibility and streamline operations

Optimize multi-channel interaction

Create a customer-focused enterprise

Optimize enterprise risk management



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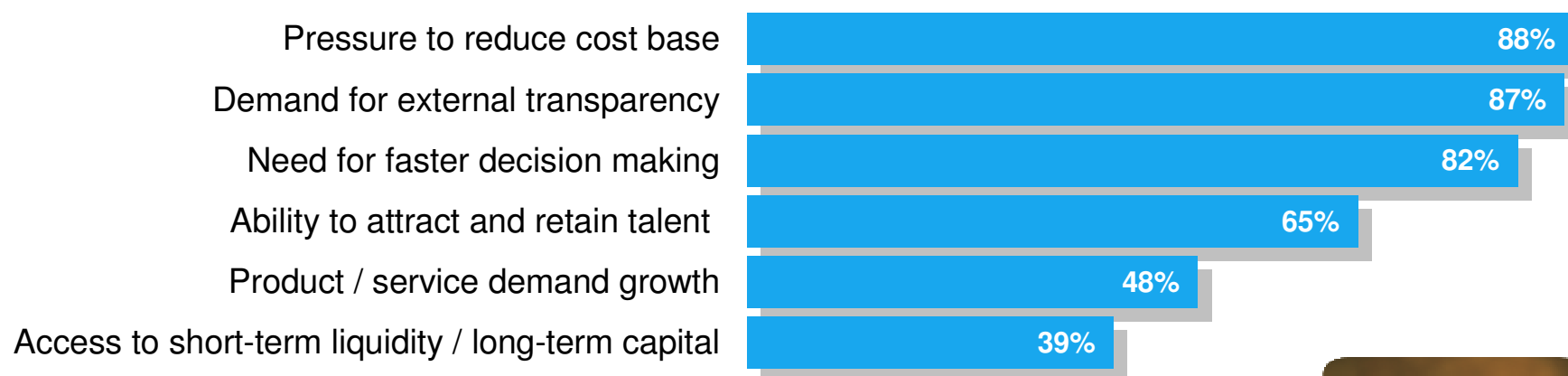




Increase flexibility and streamline operations

Pressure to reduce costs is the key reason

Insurance CFOs report that pressure remains high to control costs and increase efficiency



Source: IBM Institute for Business Value, The Global CFO Study 2010. Question asked: "In the next 3 years, how will the following conditions change in your industry / sector?" (insurance n=93 to 98)

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The Professional Provident Society Case Study



- Renewal of the legacy Product Engines over a period of 3 years
 - Enabled PPS to bring nine new insurance products to market in less than one year, compared to only one new product being introduced in the previous three years
 - Allowed extensive modification of new products in response to competitor actions in a matter of weeks—an entirely new capability
 - Reduced application development costs by 50 percent
 - Decreased audit findings (items requiring remedial action) by approximately 80 percent
 - Eliminated more than 90 percent of system code
 - Significantly improved controls for collecting premiums
-
- Now selling short term insurance on same product platform!
-
- ZAR3B paid back to members in 2012



for professionals

IBM Case Study – PPS brings unprecedented flexibility to the South African insurance market.

http://www-01.ibm.com/software/success/cssdb.nsf/CS/JSTS-7F3H8N?OpenDocument&Site=default&cty=en_us

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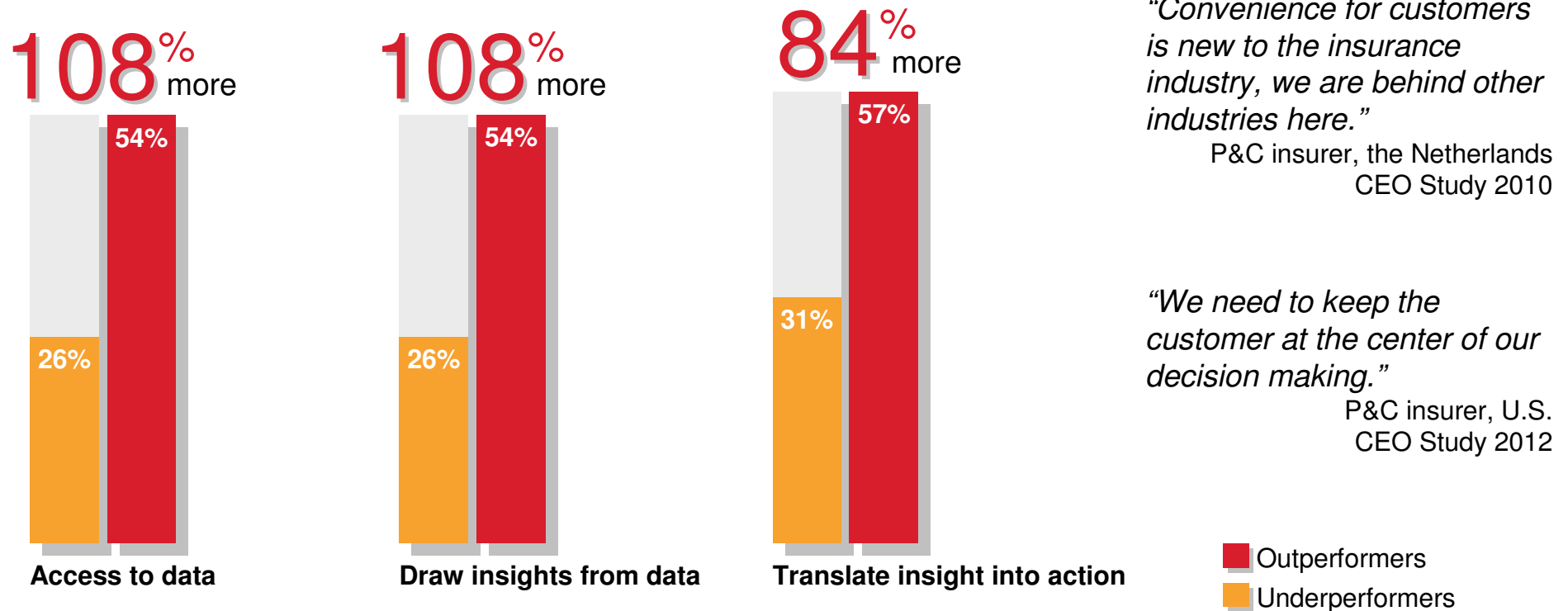


Optimize enterprise risk management

Deriving value from data is a critical requirement



Outperformers strongly differentiate their organizations in three key areas



“Convenience for customers is new to the insurance industry, we are behind other industries here.”

P&C insurer, the Netherlands
CEO Study 2010

“We need to keep the customer at the center of our decision making.”

P&C insurer, U.S.
CEO Study 2012

Source: Q22 “How good is your organization at driving value from data? [Today]” (n=631 to 636)



Santam Insurance



Measuring claims risks in real time lowers fraud costs, speeds payments and delights customers

The need:

Like most insurers around the world, Santam was losing millions of dollars paying out fraudulent claims every year. And that expense was being passed on to the customer in the form of higher premiums and longer waits to settle legitimate claims. To improve its bottom line and enhance customer satisfaction, the company needed to detect and stop insurance fraud early in the claims process. It also needed to find a way to isolate risky, fraudulent claims so that claims managers could more quickly process lower-risk ones.

The solution:

Santam gained the ability to catch fraud early with an advanced analytics solution that captures data from incoming claims, assesses each claim against identified risk factors and segments those claims. With the new system, the company not only saves millions previously lost to insurance fraud, but also drastically reduces processing time for low-risk claims, leading to resolution in less than an hour for some customers.

The benefits:

- Reduced processing time for lowest-risk claims by 90 percent
- Saved more than ZAR16 million through early fraud detection and prevention in the first four months
- Decreased fraud costs through the repudiation of improper claims
- Achieved millions of rands in cost savings due to improvements in claims processing efficiency
- Improved customer satisfaction through faster claims settlement
- Identified a major fraud ring less than 30 days after implementation
- Cut operating costs by reducing the number of mobile claims investigations

“IBM has helped us build a solution that has not only transformed our claims processing methodology in terms of speed and efficiency, but also provides game-changing insight—helping us protect our business and our customers by bringing fraudsters to justice.”

*-Anesh Govender,
Head of Finance,
Reporting and Salvage*

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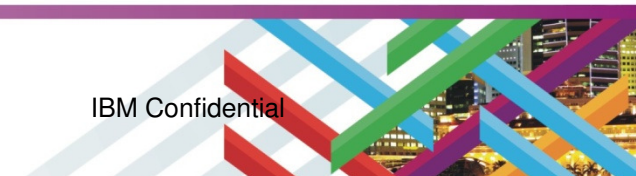


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Insurers are confronted with numerous opportunities and challenges for improving profitability and top line growth

- *Enable Agility – for Increasingly Changing Processes and Rules*

- *Faster Time to Market – for New and Enhanced Products*

- *Customer Centric – Shift from Product / Policy to Customer Centric*

- *Ease of Use – Enable Seamless Cross Channel Capabilities*

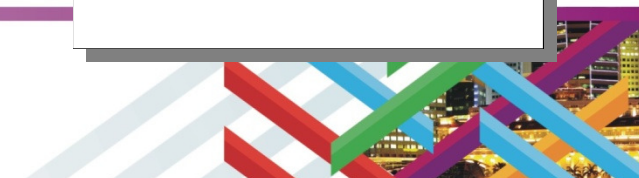
- *Support Growth – Organically and through Acquisition*

- *Reduce Risk – for both Change and Operational Risks*

- *Do More with Less – Increase Efficiency and Lower TCO*

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But insurers are often held captive by their existing investments in point based architectures and aging monolithic applications

Insurers rely on aging monolithic legacy applications and systems that are difficult to integrate and inflexible to change

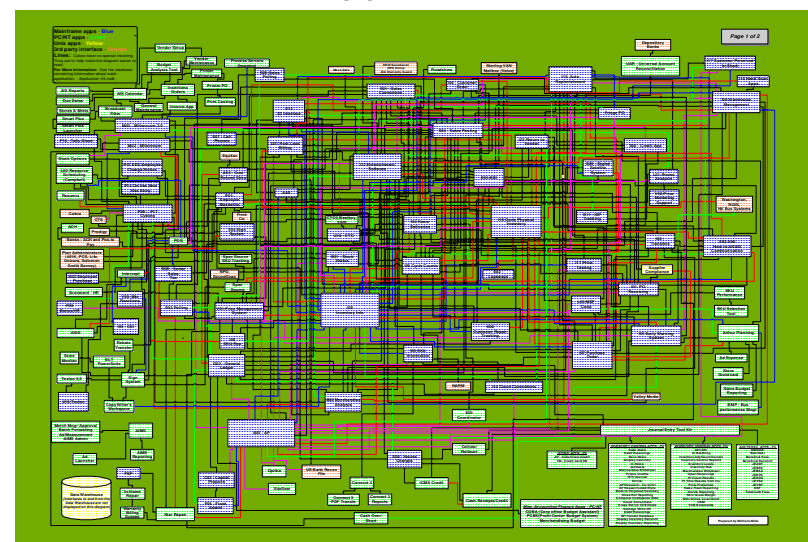
Past systems often built to address specific solution requirements and focused on performance over architectural flexibility and agility

Many insurance business processes and rules have been imbedded into applications and systems

Insurers spend a majority of their IT budget on maintenance of existing applications and systems

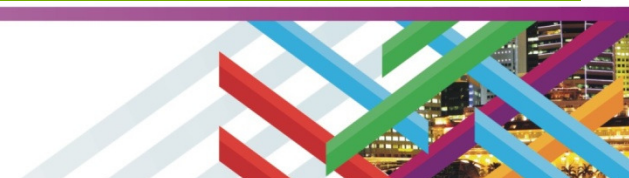
Package vendors typically only offer high risk, rip and replace alternatives

Insurance standards bodies are just beginning to define enterprise-wide standardized industry models

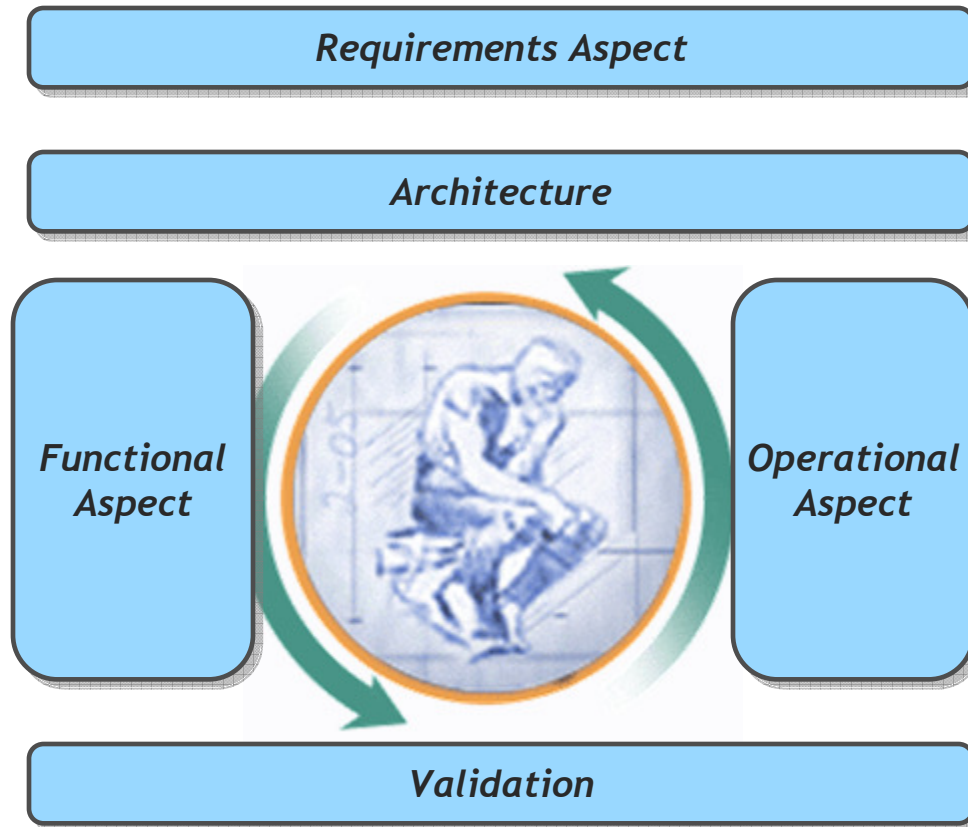


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IBM approach to building a Solution



Context, Structure, Behavior

Understanding IBM's approach will help you to ask the right question(s)

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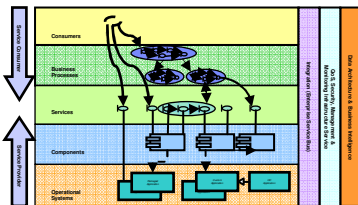
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Existing architectures and assets often address only part of this requirement and rarely in a manner specific to Insurance

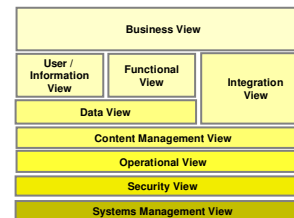
IBM SOA Solution Stack



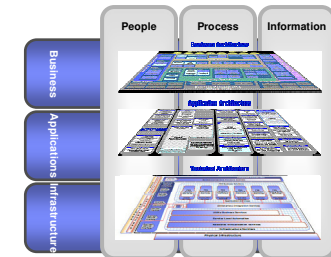
ACORD Insurance Framework



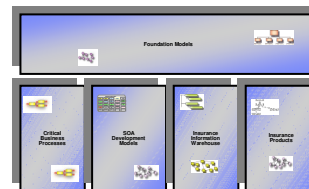
IBM Architecture Blueprint



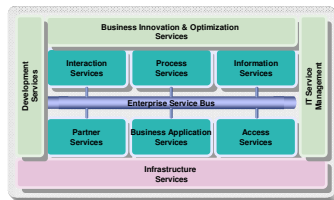
IBM Financial Services Architecture



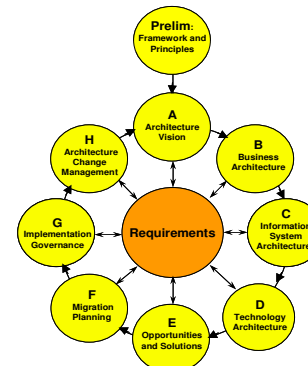
IBM Insurance Application Architecture



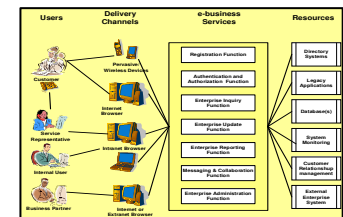
IBM SOA Reference Architecture



The Open Group Architecture Framework



IBM e-business Reference Architecture



Zachman Framework

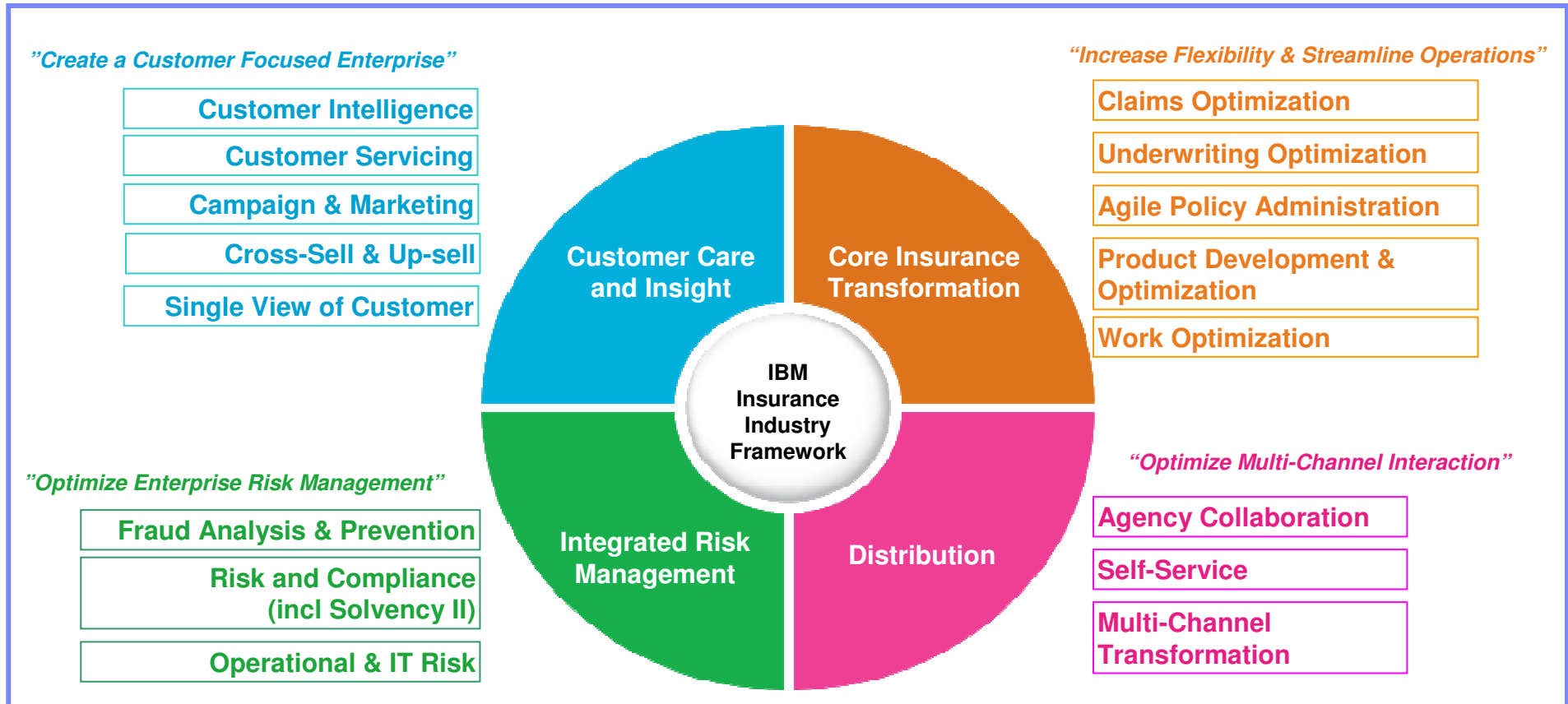
	SCOPE	DATA	FUNCTION	NETWORK	PEOPLE	TIME	MOTIVATION
SCOPE	Plan	Plan	Plan	Plan	Plan	Plan	Plan
ENTERPRISE MODEL	Plan	Plan	Plan	Plan	Plan	Plan	Plan
SYSTEM MODEL	Plan	Plan	Plan	Plan	Plan	Plan	Plan
TECHNOLOGY CONTRAINTED MODEL	Plan	Plan	Plan	Plan	Plan	Plan	Plan
DETAILED SPECIFICATIONS	Plan	Plan	Plan	Plan	Plan	Plan	Plan
FUNCTIONAL SPECIFICATIONS	Plan	Plan	Plan	Plan	Plan	Plan	Plan

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IBM Insurance Solutions are aligned to address key imperatives



IBM Insurance Industry Framework is the foundation for IBM Insurance Solutions; it includes an insurance reference architecture, reusable models (process, service, data) & solution accelerators...all built on top of IBM's software & systems platform.

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IBM Insurance Solutions are powered by insurance-specific content & skills and best enterprise software & systems



Skills

- Insurance-specific implementation as per insurer's unique business needs by IBM Global Business Services (consult, assemble & integrate)
- Outsourcing services & cloud offerings for IBM Insurance Solutions

Insurance Content

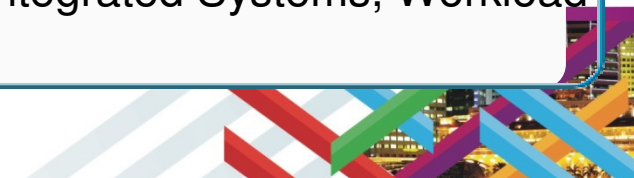
- Insurance-specific applications and accelerators from IBM to accelerate delivery of IBM Insurance Solutions (e.g. Insurance Compensation Management, Solvency II Accelerator, Risk Analytics, IIW Data Models)
- IBM validated business partner applications for specific solutions (e.g. P&C Policy & Claims, Pricing Optimization, Agency Portal)

Software Solutions & Platforms

- Configurable software solutions for Business Analytics, Web Experience, Collaboration, Enterprise Marketing Mgmt, Business Process Mgmt, Enterprise Content Mgmt, Mobile Foundation
- Robust middleware for Data Management, Big Data, Application Infrastructure, Connectivity & SOA, Application Lifecycle, Security

Systems

- Smarter computing foundation using Expert Integrated Systems, Workload Optimized Systems, Storage and Networking



IBM solutions are built on a core set of software capabilities that can be assembled in different ways to meet insurance needs.



Need

Capabilities

Turn information into insights

Business Analytics
Data Management
Big Data
Data Warehousing
Enterprise Content Management
Information Integration and Governance

Deepen engagement with customers, partners and employees

Social Collaboration
Unified Communications
Web Experience
Commerce
Enterprise Marketing Management
Smarter City Operations

Enable the agile business

Business Process Management
Connectivity, Integration and SOA
Application Infrastructure

Need

Capabilities

Deliver enterprise mobility

Mobile Development and Connectivity
Mobile Management and Security

Accelerate product and service innovation

Application Lifecycle Management
Complex and Embedded Systems
Enterprise Modernization

Optimize IT and business infrastructure

Cloud and IT Optimization
Asset and Facilities Management
Enterprise Endpoint Management

Manage risk, security and compliance

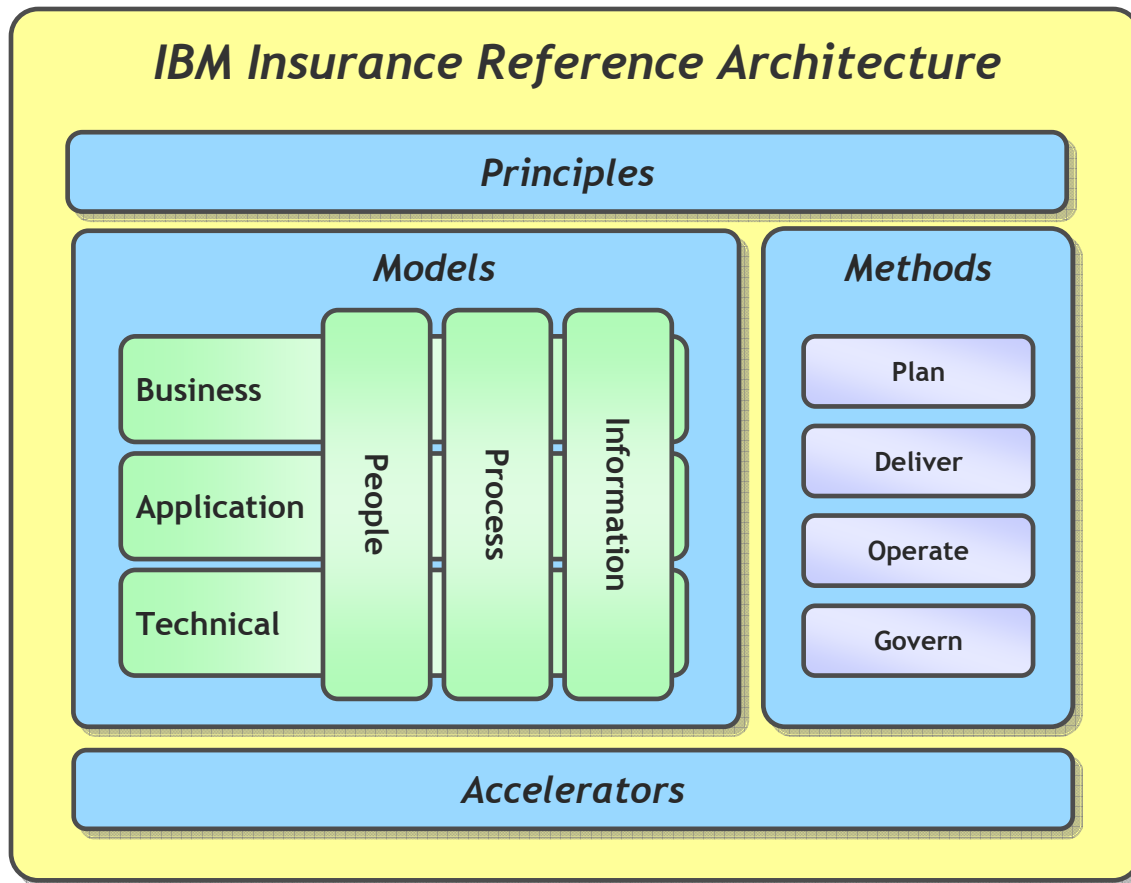
Identity and Access Management
Data Protection
Application Security
Infrastructure Protection
Security Intelligence and Compliance Analytics

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IBM's Insurance Reference Architecture offers a principles-based Insurance specific architecture and integrated set of assets to accelerate enterprise-wide architecture and transformation efforts



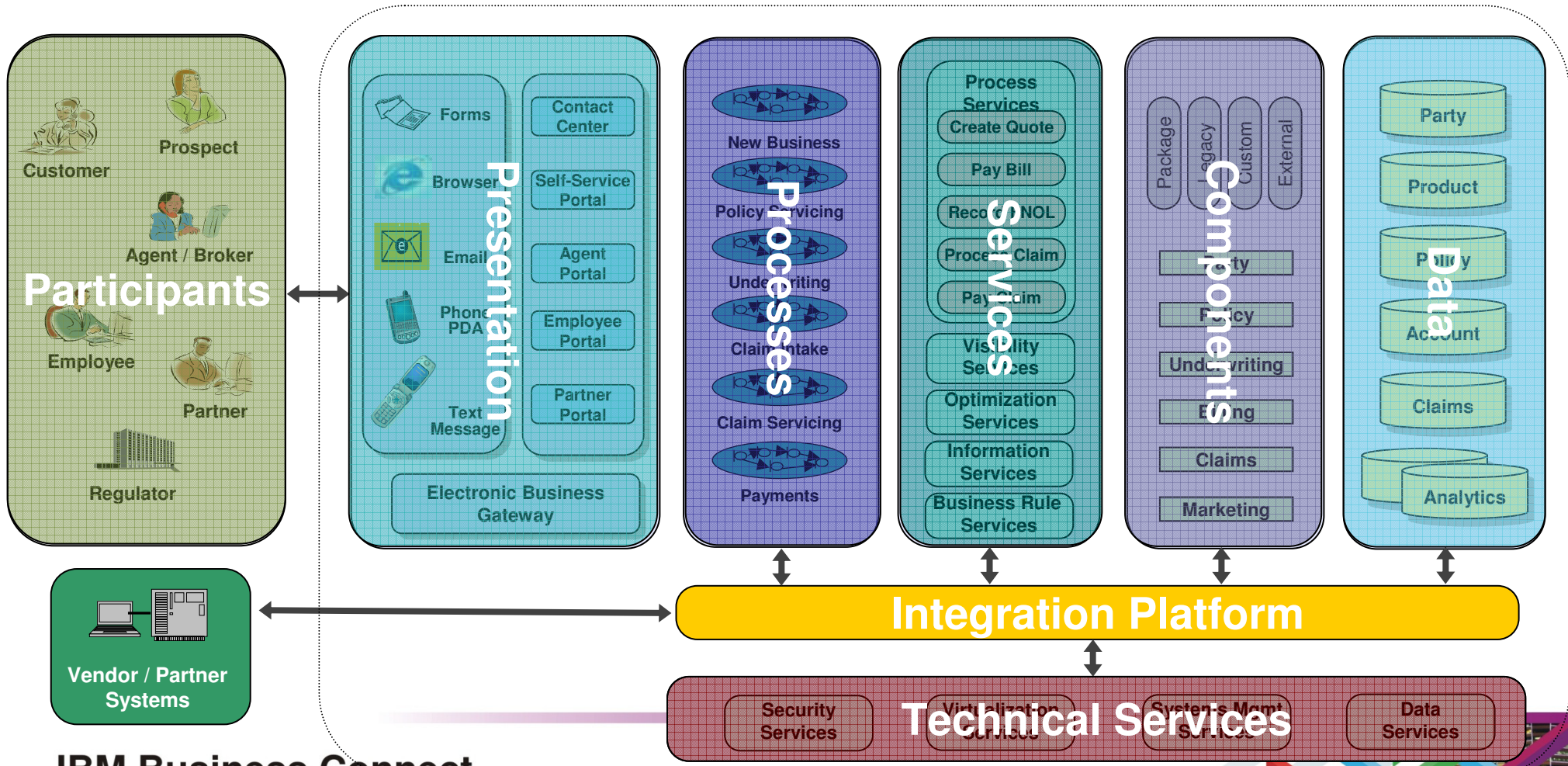
- Built on key principles and a core framework
- Supports all architectural domains
- Supports all transformation lifecycles
- Comprehensive and integrated
- Built specifically for Insurance

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IBM Insurance Solutions are based on Insurance Reference Architecture



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The IBM Insurance Reference Architecture forms the basis for many client facing and IBM internal Insurance efforts



Thought Leadership

Used to convey IBM's point of view on Insurance architectures and visibly promote IBM's thought leadership and differentiated capability in this space

Enterprise Architecture

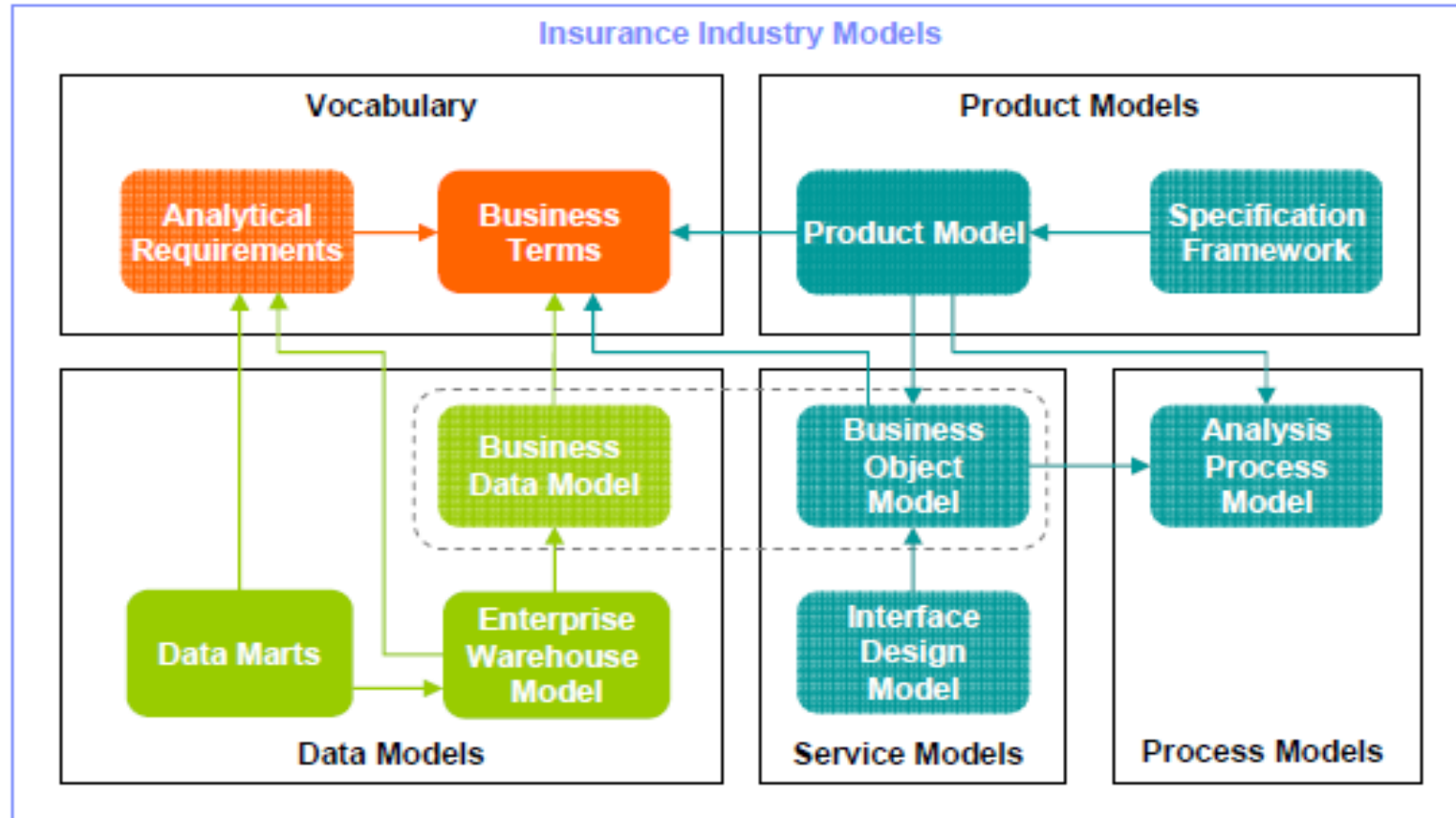
Used as a delivery guide and accelerator for enterprise-wide and line of business architecture efforts

Solution Architecture

Used as a delivery guide and accelerator for solution based efforts that focus on specific Insurance solution domains



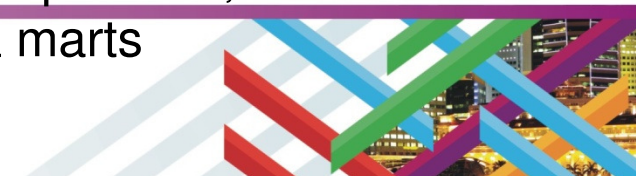
IBM's Insurance Models (IAA/IIW) provide the building blocks for developing IBM Insurance Solutions



6000+ terms, 1000+ activities, 300+ processes, 50+ components, 2500+ services, 100+ product models, Specific KPIs and Data marts

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IBM Insurance Industry Framework is also a platform for leading insurance applications that are key components of our solutions



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Mobile is the 2nd top priority on CIO's list



Most important visionary plan elements
(Interviewed CIOs could select as many as they wanted)

Business Intelligence and analytics 83%

Mobile solutions

74%

Self-service portals 71%

Virtualization

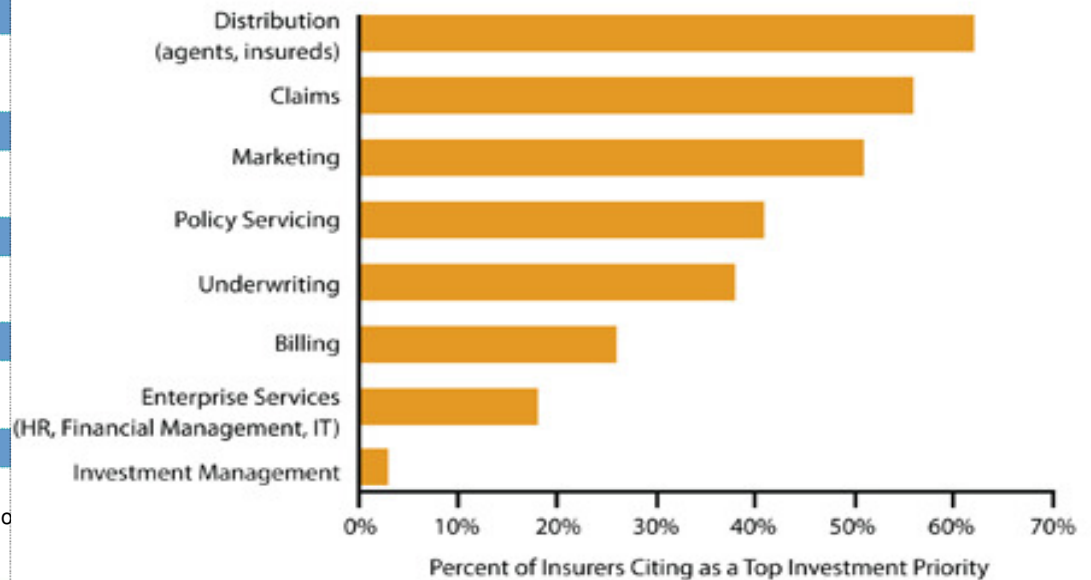
Business process management

Risk management and compliance

Cloud computing

Collaboration and Social Networking

Insurers' Future Investment Plans for Mobile Apps



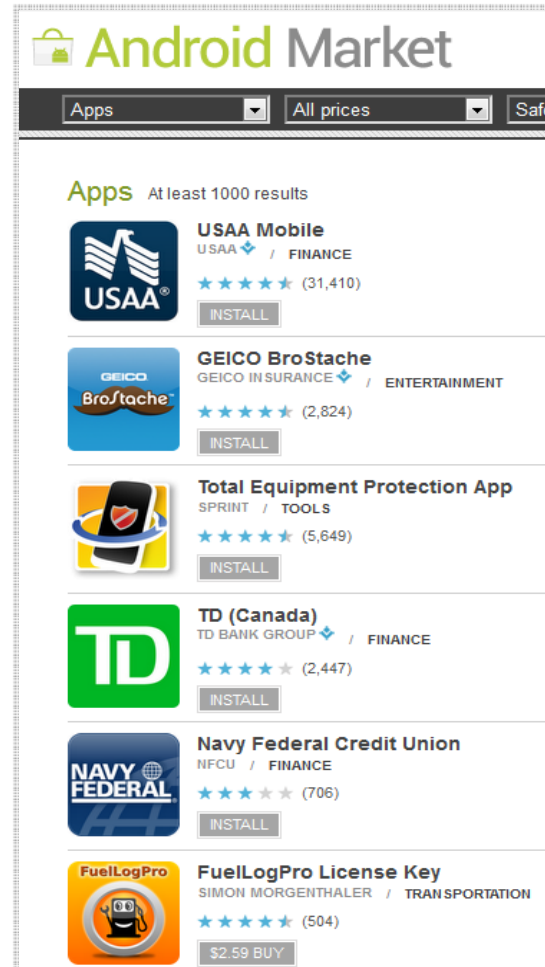
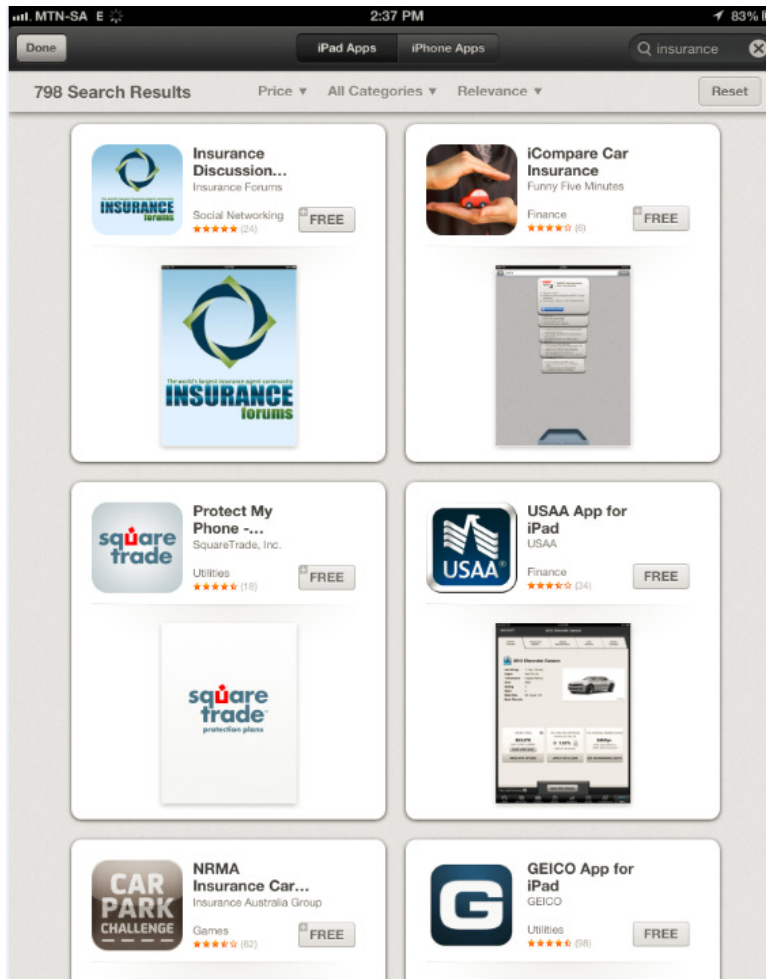
Sixty-two percent of insurance carriers surveyed by Boston-based Strategy Meets Action identified distribution as their top priority area for investment in mobile apps.

Source: 2011 CIO Study, Q12: "Which visionary plans do you have to increase competitiveness o

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There is significant activity in all markets on mobile insurance capabilities



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Where have insurers started their mobile journey



P&C Insurance:

First Notice of Loss
Get a Quote

Life Insurance

Employee Email & Calendar
Simple Agent Tools

Commercial Insurance

Employee Email & Calendar

But the results caused us to ask...

What value did these solutions provide?
How well do insurers know their end user?



Mobile is a mandatory transformation



Mobile isn't new. The rate at which new capabilities are enabled, the ease of use and the cost of acquisition for devices, combined with the consumer and employee expectations has fundamentally shifted the way organizations touch the end user. The following three trends are important to consider when developing a mobile strategy

The dynamic nature of mobile is forcing organizations to be more nimble with both their business models and IT delivery.

Users are migrating to mobile as a preferred channel of interaction, therefore organizations need to leverage and extend their existing capabilities and meet the mobile demand.

As BYOD becomes more pervasive, it is critical to protect and manage the device while securing access to corporate data.



IBM Business Connect

Business Without Limits.

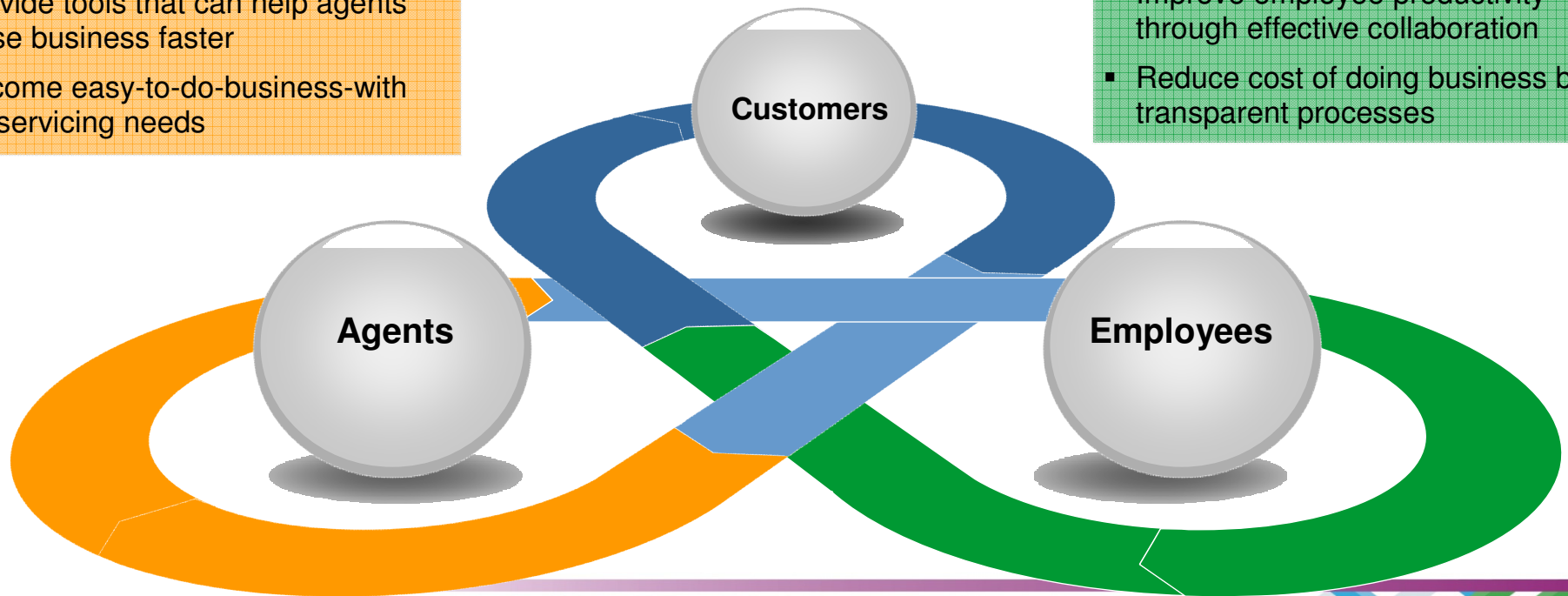
We recommend insurers to implement a 3-pronged mobile strategy



- Highly engaging, personalized, and differentiated experiences
- Drive customer satisfaction, improve brand loyalty & reduce costs

- Provide tools that can help agents close business faster
- Become easy-to-do-business-with for servicing needs

- Improve employee productivity through effective collaboration
- Reduce cost of doing business by transparent processes



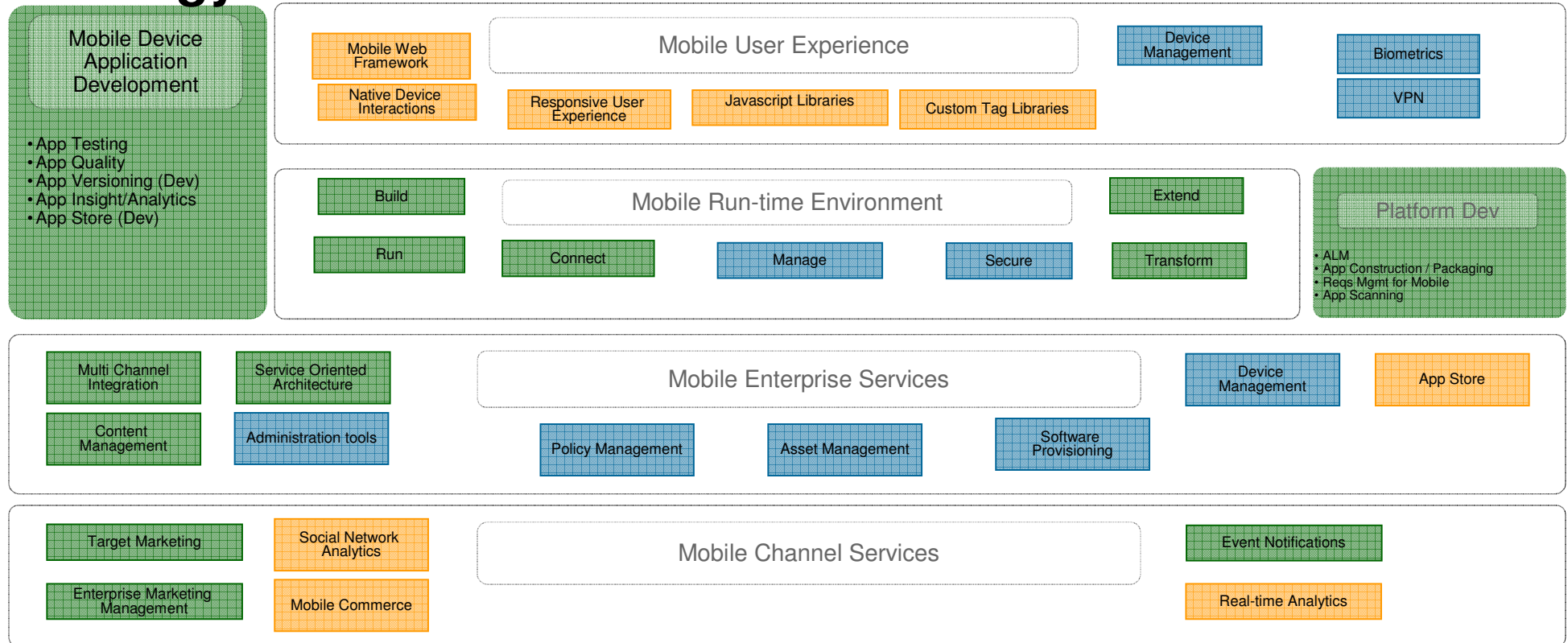
IBM Business Connect

Business Without Limits.





IBM developed an enterprise mobile framework that incorporates the software capabilities in our mobile strategy.



Agility

Extensibility

Security

IBM Business Connect

Business Without Limits.



Strategy needs to address mobile business and IT challenges



Enterprise Business Model Changes

- New business opportunities based upon geolocation
- Anytime, anywhere business transactions
- Importance of social business interactions
- Use of real-time analytics
- Contextual campaign management and target marketing
- Mobile as a part of a multi-channel approach

App Development Lifecycle Complexity

- Complexity of multiple device platforms with fragmented Web, native, and hybrid model landscape
- Connecting the enterprise back-end services in a secure and scalable manner
- Unique mobile requirements (user interface, connected/disconnected use, version upgrades, etc.)

Mobile Security and Management

- Protection of privacy and confidential information
- Use of client-owned smartphones and tablets
- Visibility, Security & Management of mobile platform requirements

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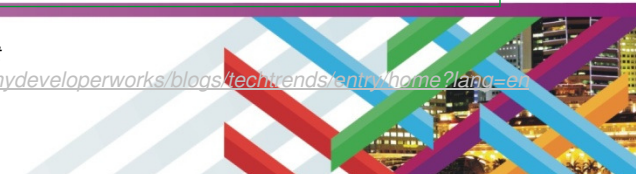


Top Mobile Adoption Concerns:

1. Security/privacy (53%)
2. Cost of developing for multiple mobile platforms (52%)
3. Integrating cloud services to mobile devices (51%)

Source: 2011 IBM Tech Trends Report

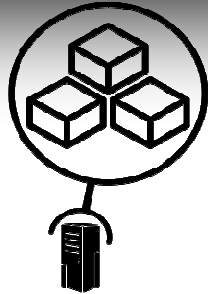
<https://www.ibm.com/developerworks/mydeveloperworks/blogs/techtrends/entry/home?lang=en>



Our experience shows mobile projects fall into three categories



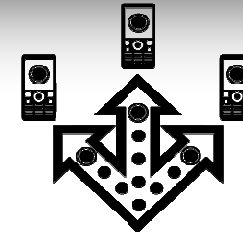
Categories



Informational



Transactional



**Value
Added
Services**

Examples

Education

Financial Representative Information

Simple tools (Calculators)

Advertising

Reports Visualization

Fund Account

Portfolio Reallocation

Request Information

Live Portfolio Analysis

Financial Representative Tools

Transaction flagging for fraud detection

Accessing goods and services of cross industry offerings (Car rental, health services, travel, etc.)

Key Considerations

Limited revenue potential for insurance providers

For the most part, already included in current insurance offerings

Limited touch points

Expensive to develop and limited return on investment

Reduce risk due to commoditization of industry offerings.

Usually requires richer/ more secure client sessions and consequent device and network requirements

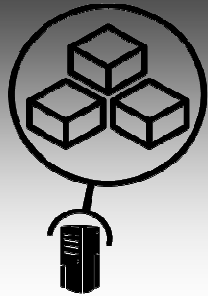
IBM Business Connect

Business Without Limits.



Mobile Insurance Focus Areas

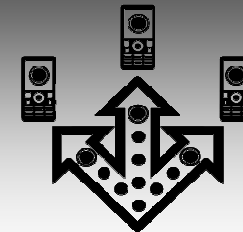
Insurance :: Producer Enablement



Build mobile applications
Connect to, and **run**
 backend systems in
 support of mobile



Manage mobile devices
 and applications
Secure my mobile
 business



Extend existing business
 capabilities
 to mobile devices
Transform the business
 by creating new
 opportunities

Capabilities

- Policy Look up
- Portfolio Analysis
- Payments
- Scenario Planning
- Electronic Signature/Binding
- Expertise on Demand
- Sales Call Optimization



Producer
 Enablement

IBM Solutions

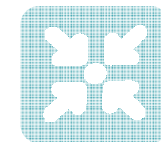
- IBM Payments Gateway
- Sybase 365
- WebSphere Portal
- Cognos
- Smarter Commerce
- IBM Forms



Back
 Office



Social Mobile
 Commerce



User
 Notification

Business & IT Value

- Monetizes mobile insurance
- Cuts Operational Costs
- Improves Customer "Stickiness"
- Cloud and On-Premise solutions
- Fully Integrated Hardware and Software stack

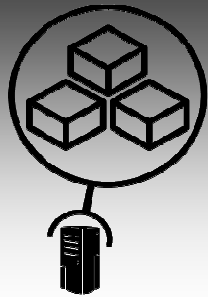
IBM Business Connect

Business Without Limits.



Mobile Insurance Focus Areas

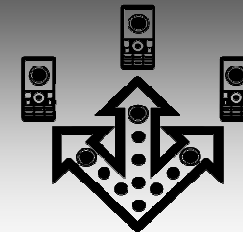
Insurance :: Back Office



Build mobile applications
Connect to, and **run**
 backend systems in
 support of mobile



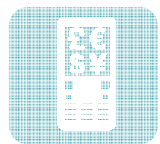
Manage mobile devices
 and applications
Secure my mobile
 business



Extend existing business
 capabilities
 to mobile devices
Transform the business
 by creating new
 opportunities

Capabilities

- Claims Processing
- Mobile Fraud
- Self Service App Store
- Medical Records Access
Authorization
- Death Benefits
- Portfolio simulations



Producer
Enablement



Back
Office

IBM Solutions

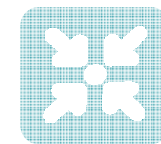
- Real-time Analytics Matching
Platform (RAMP)
- Fraud & Abuse Management
System (FAMS)
- Crime Information Warehouse
(CIW)
- Whirlwind App store



Social Mobile
Commerce

Business & IT Value

- Speed to market with common
insurance services
- Complete Framework of proven
services
- Integration with IAA
- Highly scalable architecture
- Fully Integrated Hardware and
Software stack



User
Notification

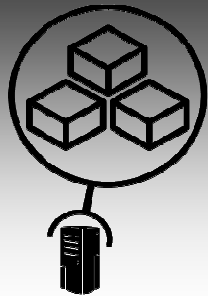
IBM Business Connect

Business Without Limits.



Mobile Insurance Focus Areas

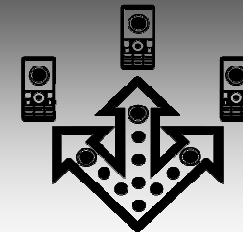
Insurance :: Marketing and Social Interactions



Build mobile applications
Connect to, and **run**
 backend systems in
 support of mobile



Manage mobile devices
 and applications
Secure my mobile
 business



Extend existing business
 capabilities
 to mobile devices
Transform the business
 by creating new
 opportunities

Capabilities

- Coupons
- Campaign Management
- Mobile and Real-time Analytics
- Target Marketing
- Instant Messaging
- Social Business
- Financial Transaction Intermediation



Producer
 Enablement



Back
 Office

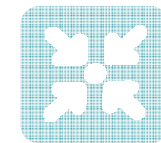
IBM Solutions

- Unica Marketing Solution
- Coremetrics Analytics
- IBM Sametime
- Cognos Dashboards and Reporting
- IBM Connections
- WebSphere Portal

TeaLeaf



Social Mobile
 Commerce



User
 Notification

Business & IT Value

- Create brand loyalty through value added services
- Easy to deploy mobile components
- Context awareness driven analytics
- Fully Integrated Hardware and Software stack

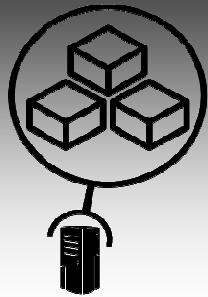
IBM Business Connect

Business Without Limits.



Mobile Insurance Focus Areas

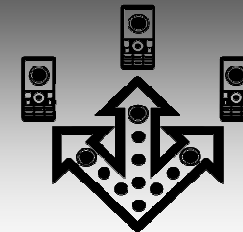
Insurance :: User Notifications



Build mobile applications
Connect to, and **run**
 backend systems in
 support of mobile



Manage mobile devices
 and applications
Secure my mobile
 business



Extend existing business
 capabilities
 to mobile devices
Transform the business
 by creating new
 opportunities

Capabilities

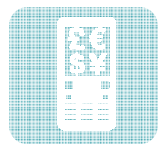
- Alerts
- Events
- Messaging
- Risk Alert/Mitigation
- Claims Adjuster Status

IBM Solutions

- Worklight Mobile Server
- WebSphere Business Events
- WebSphere Portal
- Cognos Dashboards and Reporting

Business & IT Value

- Establish trust with clients for critical interactions
- Rule based solution based on business events
- Integration with real-time analytics
- Policy based notification service



Producer
Enablement



Back
Office



Social Mobile
Commerce



User
Notification

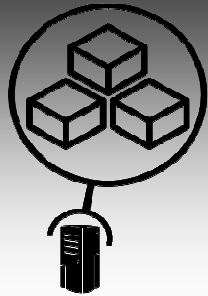
IBM Business Connect

Business Without Limits.



Mobile Insurance Focus Areas

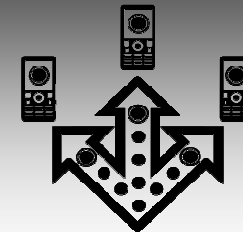
Insurance :: Future Predictions



Build mobile applications
Connect to, and **run**
 backend systems in
 support of mobile



Manage mobile devices
 and applications
Secure my mobile
 business



Extend existing business
 capabilities
 to mobile devices
Transform the business
 by creating new
 opportunities

Capabilities

- Convergence of channels
- Real-time Analytics
- Predictive Models
- Real-time simulations
- Core applications on Mobile

Capabilities

- Location Based Security
- Multi faceted Security Model
- Virtualization on Devices
- Extremely large data access

Capabilities

- Voice Interactions
- Virtual Advisor (Watson)
- Video Interactions
- 24 Hour Money Manager
- Financial Health Indicator



Producer
 Enablement



User
 Notification



Social Mobile
 Commerce



Future
 Predictions

IBM Business Connect

Business Without Limits.



Smarter Insurance

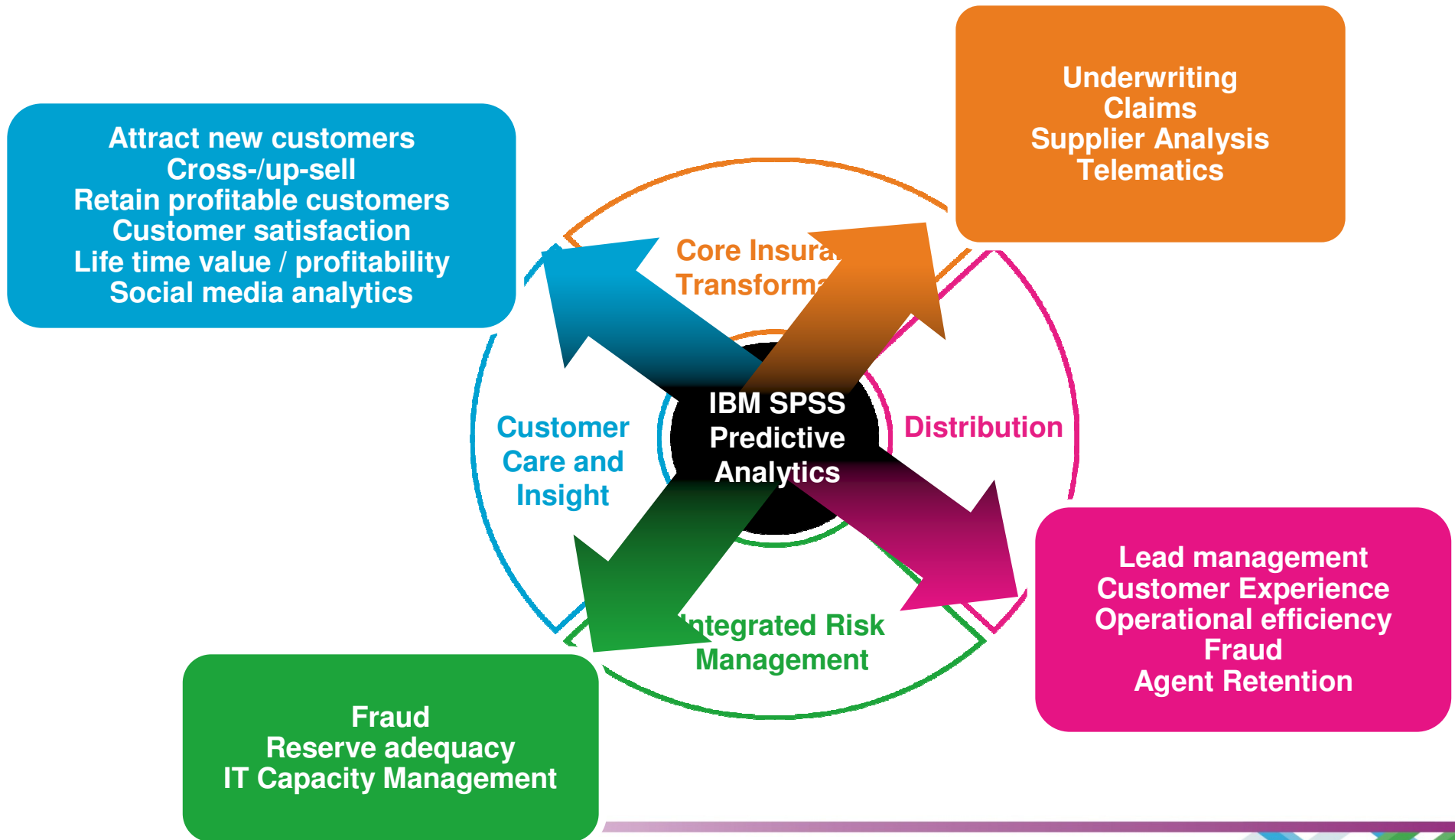


AGENDA

- Smarter Insurance Trends
- Forces of Disruption in Insurance
- How are insurers responding?
- IBM Insurance Solutions
- IBM point of view on an Insurance Mobile Strategy
- ▪ Predictive Analytics Case Study in Insurance
- GISC Dallas and La Gaude



Applications of predictive analytics in insurance



IBM Business Connect

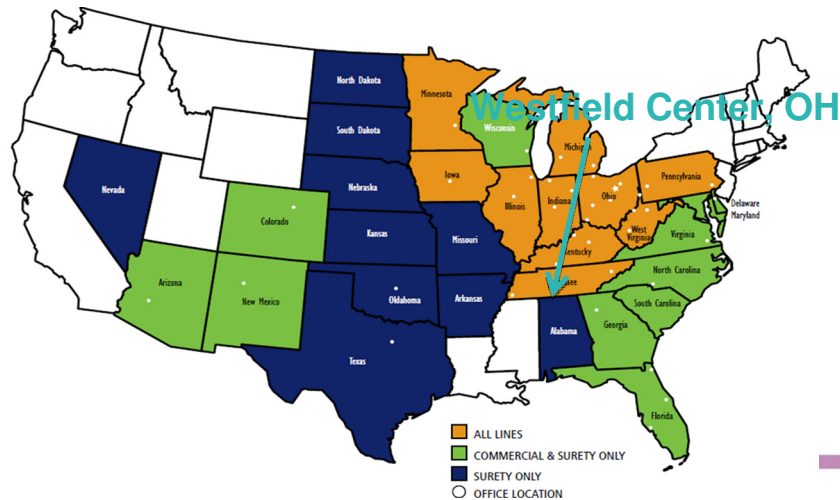
Business Without Limits.



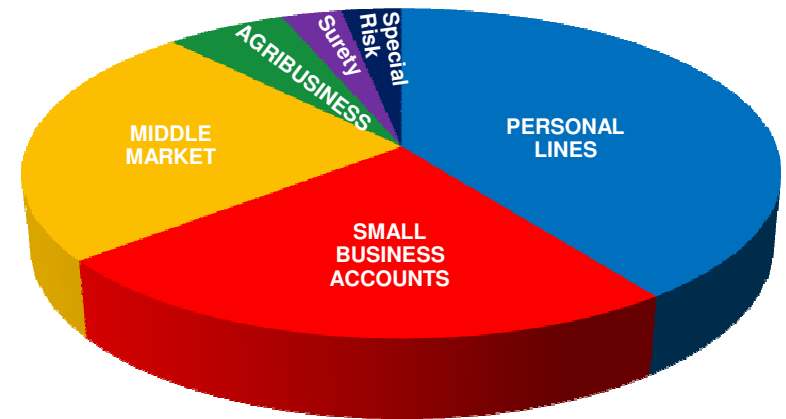
About Westfield Group



- Founded in 1848
- "A" for financial strength by A.M. Best
- Banking for businesses and individuals
- \$1.6B Property & Casualty (P&C) multi-line insurer
- Top 50 United States P&C company
- 1,000 independent agencies



Mix of P&C Business



IBM Business Connect

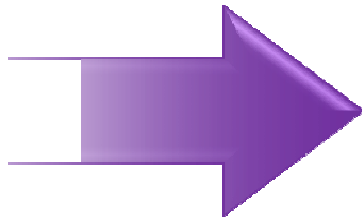
Business Without Limits.



Westfield's Agency Analytics journey



Beginning to 2006



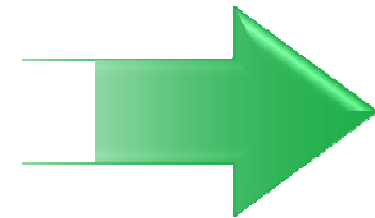
- Launched a Business Intelligence program
- Built an Enterprise Data Warehouse to support agency reporting

2007 to 2009



- Rolled out new agency reporting
- Changed agency management processes

2010 to Present



- Analyzing agency productivity
- Developing new agency segmentation

IBM Business Connect

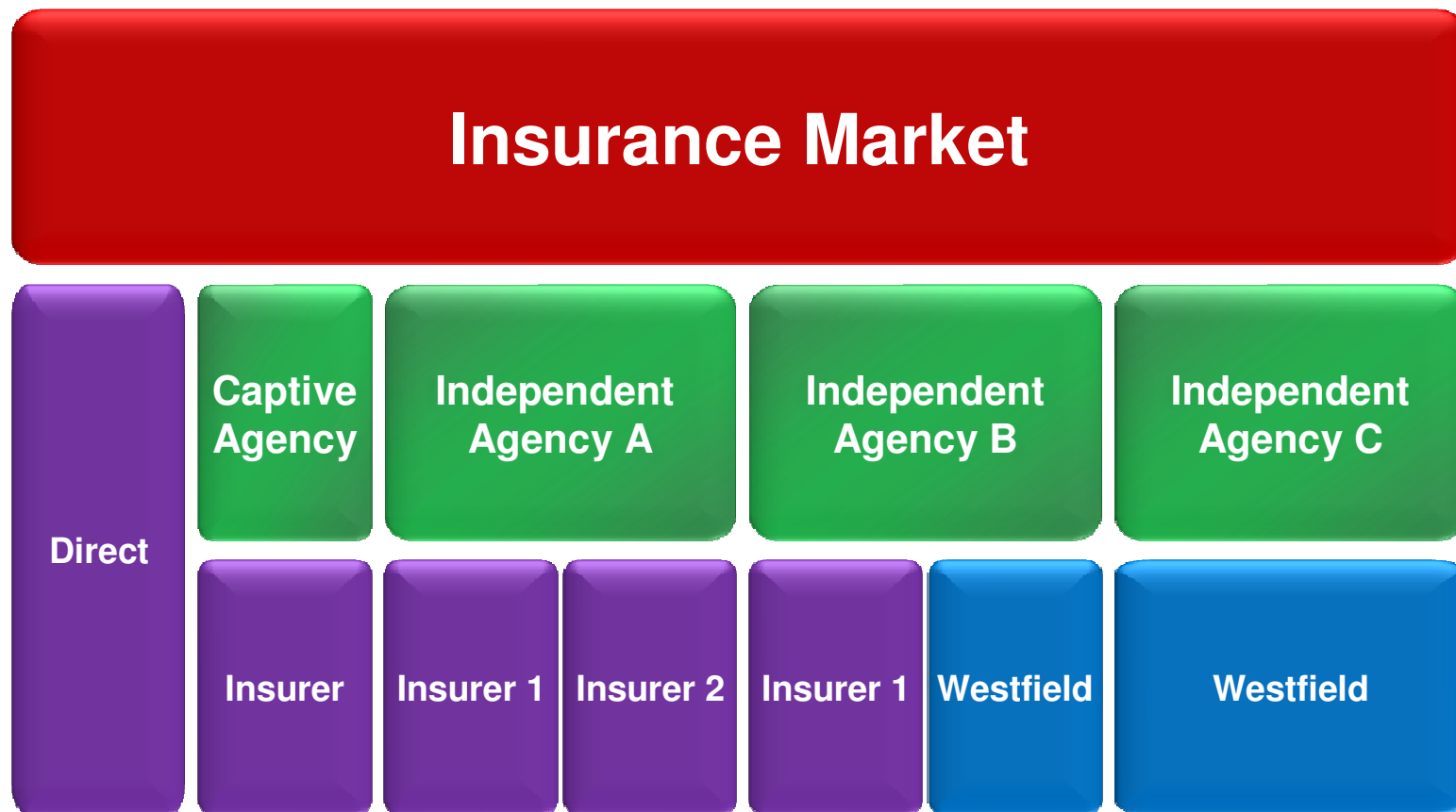
Business Without Limits.



The business problem



Westfield is competing for market share by fighting for a share of an independent agency's business within that market.



IBM Business Connect

Business Without Limits.



The business problem



Many insurers fail to maximize the value they could derive from their independent agent distribution network.

Unable to exploit connections between past, present, and future events

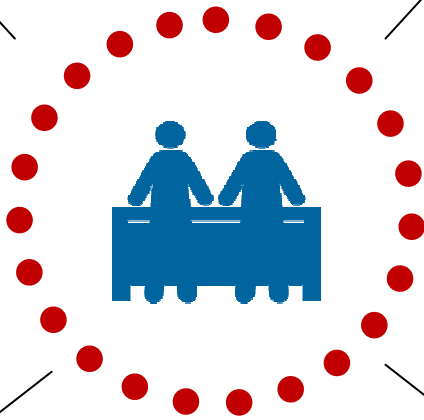
Incomplete understanding of the agency's market and the "resources" at its disposal

Challenged in using analytics to enhance a long term strategy

Inconsistent decision making for appointing and culling agencies

Lack of understanding of what level of performance should be expected

Decisions based on gut feel – legacy relationships and anecdotal evidence



IBM Business Connect

Business Without Limits.



Two major analytical approaches aligned to agent management objectives



- 1. Objective measure of agent performance:** from the data, calculate an efficiency score for existing agents
→ Agent management: identify premium shortfall and take remedial action
- 2. Profile top performers:** identify characteristics of an agency that indicate a higher likelihood for productivity
→ Targeted acquisition: identify agency prospects that are most likely to succeed



Managing existing agents



Inputs

Agency characteristics

Size

Years in Business

Website Y/N

Etcetera

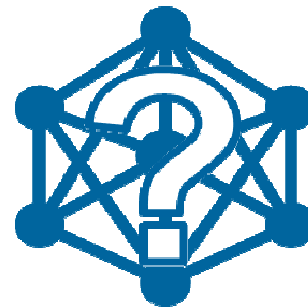
Market characteristics

Population

Vehicles

Competition

Etcetera



**Data
Envelopment
Analysis**

Outputs

New and Renewal

Auto Written

Premium

New and Renewal

Home Written

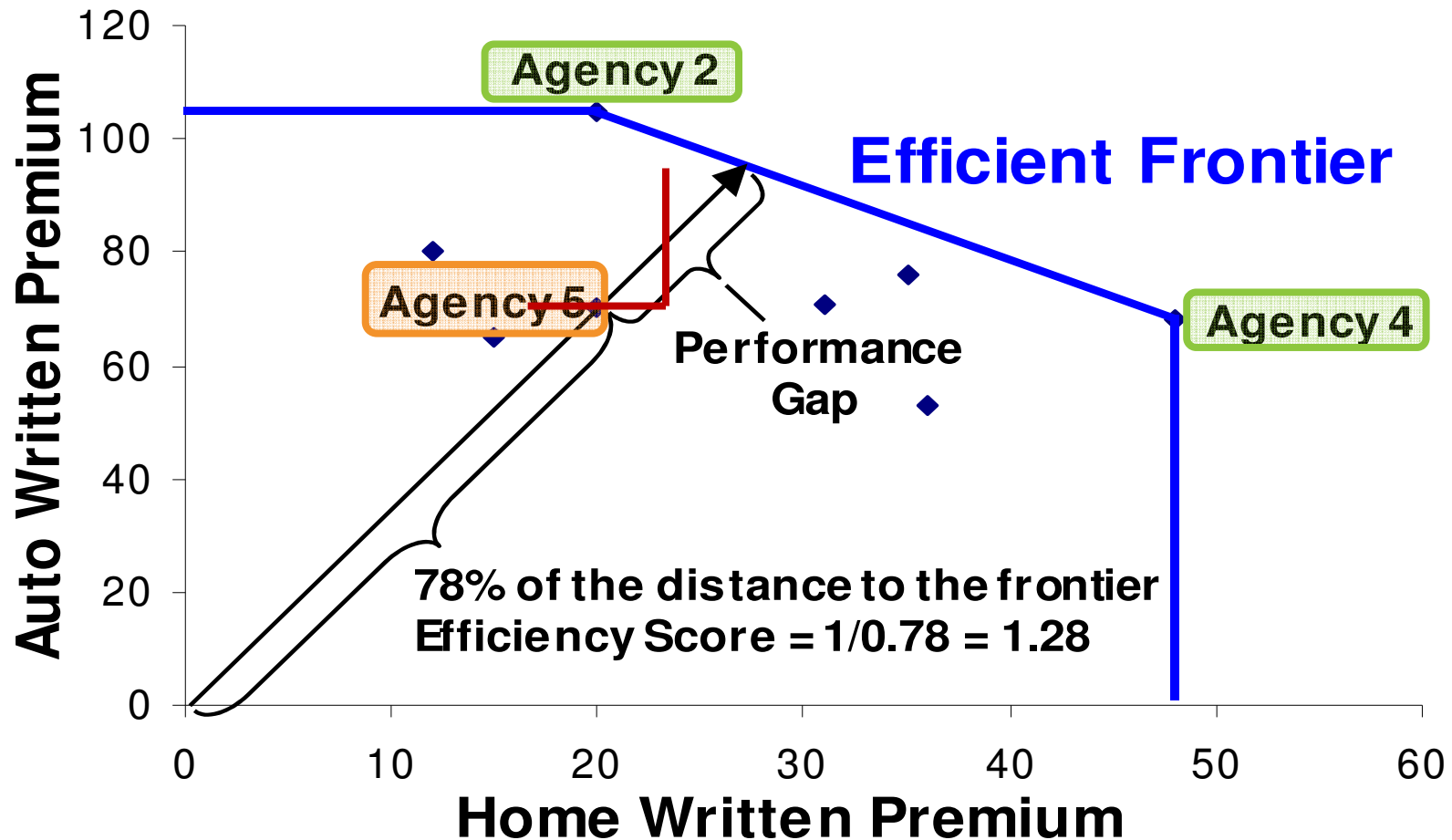
Premium

IBM Business Connect

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Managing existing agents



Managing existing agents



IBM Cognos Viewer - Agency Report

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WESTFIELD INSURANCE
Sharing Knowledge. Building Trust.®

Agency Report

Market Size

Counties	6
Population	304,966
Home Owners	121,229
Home Renters	49,950
Household Income	\$10,793M

Agency 12-1006C

Agency Information

Tier	Standard
Mailing City	Arthur
Mailing State	IL
Primary County	Moultrie
Agents	4

3rd Party Data

Average High Credit	\$250
Total Employees	5
Population	10,000 - 24,999
Total Sales	\$450,000
Square Footage	3,158
Web Pages	0
Years in Business	28

Share of Westfield Market - Home & Auto Only

WF Agencies in Primary County	5
% of WF Policies in Primary County	30.8%
% of WF Policies in In-Market Counties	1.9%

2011 PL Performance - Home & Auto Only

Written Premium	\$31,086
Loss Ratio	53.6%
Growth	4.2%

2007 - 2011 Performance - All Lines Excluding Surety

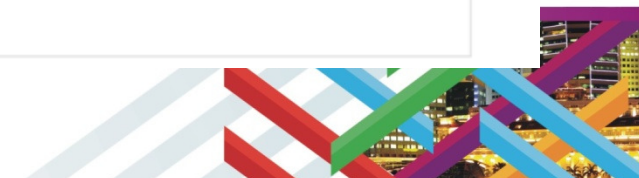
Loss Ratio	14.4%
CAGR	-18.2%

MODELING RESULTS - Home & Auto Only

Productivity Score	1
Returns to Scale	Decreasing
Total Shortfall	96.8%
Auto WP Shortfall	\$118,263
Home WP Shortfall	\$645,396

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Effective acquisition of new agents



IBM Cognos Viewer - Prospect Report

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Keep this version | Add this report



Prospect Report

Agency DUNS #

Agency Information

Tier	Prospect
Mailing City	Clinton
Mailing State	IA
Mailing County	Clinton
# of Other Westfield Agencies in County	2

3rd Party Data

Avg High Credit	\$153
Total Employees	
Population	50,000 - 99,999
Total Sales	\$300,000
Sqr Footage	
Web Pages	0
Yrs in Business	50



EXPECTED VALUES

	Rank*
Productivity Propensity	11 42
Auto & Home Policies	564 30
Auto & Home WP	\$710,014 49

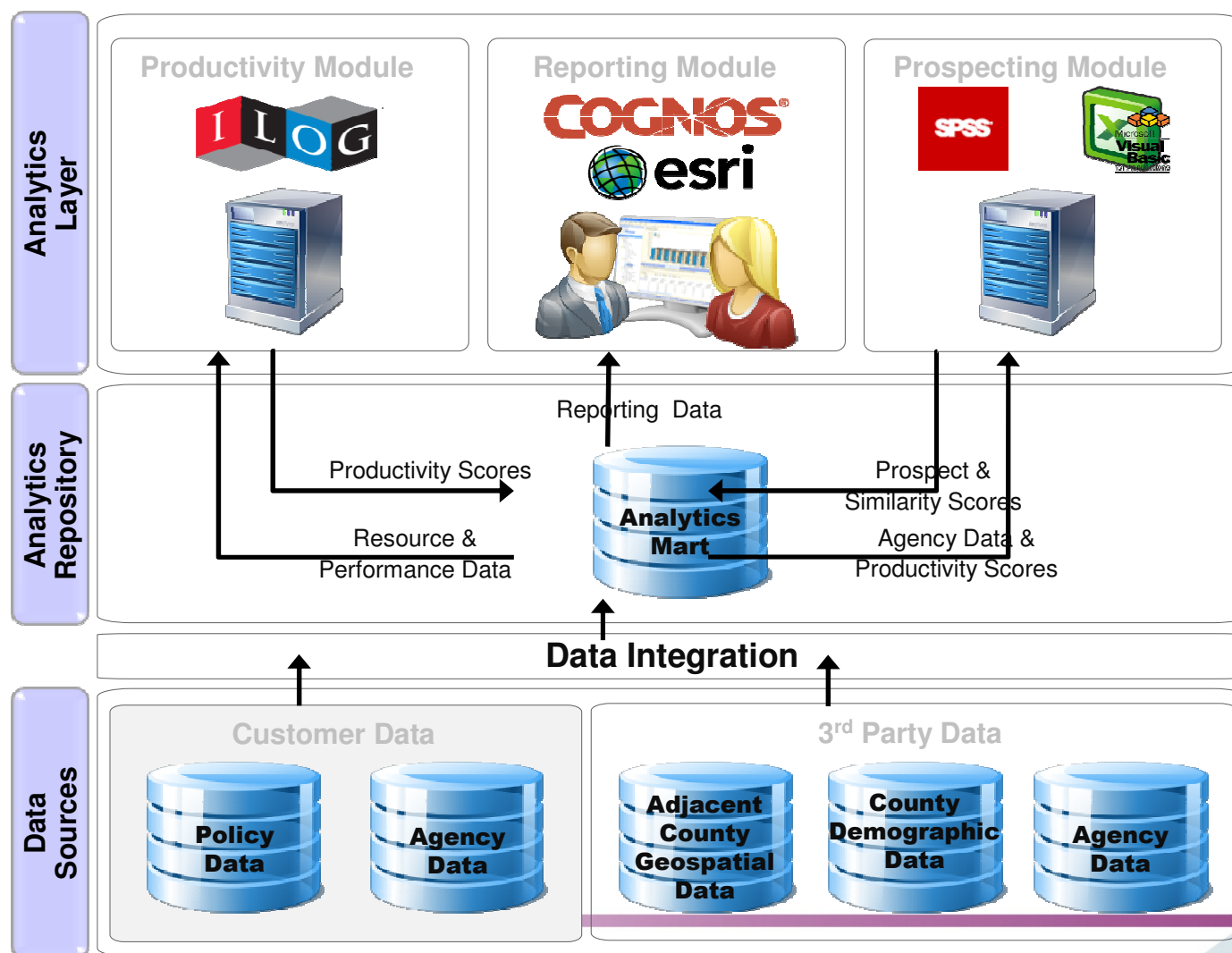
Top 5 Most Similar Westfield Agencies

Agency	Agency Name	PL WP*	PL LR*	PL Growth*	Similarity Score
37-4209C		\$738,077	31.2%	7.2%	0.843
12-1131C		\$938,551	58.6%	1.9%	0.841
37-4188C		\$722,444	35.3%	-1.1%	0.836
37-4142C		\$699,811	81.4%	-7.9%	0.832
34-9242C		\$483,755	66.6%	6.1%	0.831

Top 5 Most Similar Westfield Agencies in Territory

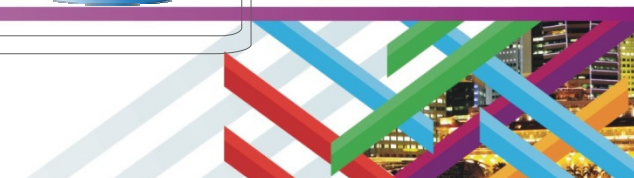
Agency	Agency Name	PL WP*	PL LR*	PL Growth*	Similarity Score
--------	-------------	--------	--------	------------	------------------

Insurance Agency Productivity and Prospecting Architecture



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Business Adoption



*“Feels **real** and **actionable**”*

*“Untapped potential...would **tell us** that in spades”*

*“Will help **focus our efforts** to understand opportunity”*

*“Will reaffirm assumptions...maybe **open some eyes**”*

*“...something we can **use** in 2013 to **shape** our efforts”*

*“iAPP made the whole thing **accessible**”*

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“In terms of the scale of the potential impact of this approach, using this tool to drive agents closer to optimal performance could generate **in excess of \$100 million in written premium.**”

Ed Largent, President of Westfield Insurance



Smarter Insurance



AGENDA

- Smarter Insurance Trends
- Forces of Disruption in Insurance
- How are insurers responding?
- IBM Insurance Solutions
- IBM point of view on an Insurance Mobile Strategy
- Predictive Analytics Case Study in Insurance
- ▪ GISC Dallas and La Gaude





Global Industry Solution Centers

Industry Solution Centers of Competency

Global Industry Solution Center – Dallas



Lead center for NA, LA, Japan, and AP GMTs

Global Industry Solution Center – La Gaude



Lead center for NEE, SWE, CEE, and MEA

Experienced teams of in-depth client facing industry solution architects and integration specialists

- Helping leading edge clients innovate with the latest IBM industry solutions and solution enabling technologies, across all brands and all industries, throughout the CVM cycle
- Driving client transformation, demonstrating IBM value and articulating strategic initiatives such as Smarter Planet, Smarter Cities, Business Analytics, and Cloud

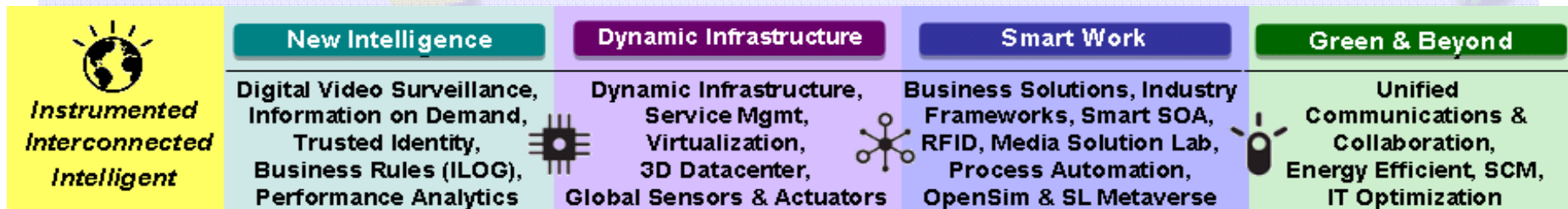
Large scale centers with premier client facing facilities and comprehensive integration lab infrastructures

- For client end-to-end solution prototypes and customized proofs of concept (PoCs)

Critical mass of in-depth skills and infrastructure

- Allows these centers to help our clients think, design and align their IT strategy with their business goals

Worldwide collaboration & sharing assets / capabilities with GBS, SWG, STG, GTS, Research, and solution centers





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083 300 0190

