IVANS

The **experience** makes your job easier.™

IVANS 2011 Carrier Automation Trends:

Key Findings on Top Technology Investments for Maintaining Growth and Creating Market Differentiation During Uncertain Economic Times

August 2011

IVANS, Inc.
225 High Ridge Road
Stamford, CT 06905
800-288-4826
ivans.com

IVANS 2011 Carrier Automation Trends Survey:

Key Findings on Top Technology Investments for Maintaining Growth and Creating Market Differentiation During Uncertain Economic Times

Executive Summary

The insurance industry has been undergoing tremendous change over the last few years and recent financial events indicate more change will likely occur. Economic, regulatory and technological factors have all created an environment whereby the need to create strategic growth, innovation and customer value is more critical than ever before. For example, industry experts say the recent decision by Standard & Poor's to downgrade the U.S. sovereign rating will not harm insurance carriers' investments. However, it will likely affect consumers' purchasing power as belts tighten even more in this uncertain economy.

Fueled by the 2008 financial crisis which led to the Dodd-Frank Wall Street Reform and Consumer Protection Act, property-casualty carriers must also prepare for increased scrutiny at both the state and federal levels. The challenge for many insurers is figuring out how to stay in compliance without using tremendous resources on keeping up with the changing requirements, preparing the reporting and segmenting the data. And, technological innovations have ramped up consumer's expectations in quoting and customer service, and changed the rules of the playing field, particularly in the independent agent distribution channel. Agents fear commoditization with rapid response becoming the de facto standard, and a customer's loyalty can change with a click of a button.

As a result, carriers are looking to deploy solutions that provide greater real-time visibility, help them control business outcomes faster and more consistently, and increase the ease of doing business for agents.

It is with these issues in mind that IVANS conducted a technology survey that asked 120 property-casualty insurance carriers from across the United States which technologies they are currently implementing or are planning to invest in over the next 12 months. The study focuses on the top five technologies along with a discussion on social networking and how carriers view it as a tool for growing their businesses. The IVANS survey found increasing usage of social media among carriers, but there is room for improvement. Carriers need to look at ways in which they can work more proactively with their independent agents and create joint strategies that realize the full potential of social media and help agents increase marketshare in an industry challenged with limited ways for new growth.

Top Five Technologies for Investment

Forty-nine percent of carriers are currently implementing or have plans over the next 12 months to implement **improved underwriting solutions** in order to boost efficiencies and grow their business. With intense competitive pressures and consumers shopping around for the best rates, speed to market is vital. As a result, property-casualty carriers looking to differentiate themselves are investing in web-based automated underwriting applications that incorporate real-time processes and create greater visibility in the front end of their value chain.

Implementing real-time automation into the delivery of quotes enables agents to receive policies within minutes of underwriting approval. Automation also reduces errors caused by manual data in legacy systems and helps to significantly lower underwriting costs by reducing the number of touch points. Perhaps most importantly, these solutions enable carriers to accelerate the sales cycle and respond to changing market conditions more quickly, thereby increasing their ease of doing business with agents and competitive edge over other carriers.

Heightened focus on expense reduction and growth strategies are causing carriers to look for ways to increase flexibility, improve functionality and streamline reporting processes across their lines of business. Not surprisingly, 42.5 percent of property-casualty carriers are investing in **new or upgraded policy administration systems** to provide new avenues for capturing marketshare. Many of the policy systems being replaced have been in place for many years and do not have the capabilities of new systems.

At the core of a carrier's business processes and systems environment, a policy administration system improves workflows and automates underwriting results. Rules-based configurability, lowered maintenance costs and getting to market faster are also key business drivers that will yield a favorable return on investment for carriers of all sizes.

With direct writers grabbing for more marketshare and buyers becoming more comfortable with purchasing insurance either online or through mobile devices, carriers and agents increasingly face commoditization. To combat these threats, more carriers are looking to invest in **consumer portals** for its real-time quoting capabilities and lead-generating functionalities that open up new distribution channels. According to the IVANS survey, 25 percent of carriers already have a consumer portal while 22 percent are currently implementing one, and 18 percent have plans to put one in place over the next 12 months.

Carriers can either develop self-serve consumer portals that policy holders access via the carrier's website, or they can integrate a portal for direct access via the agent's website. In some instances, if an agent lacks quoting capabilities or if the carrier wants to respond to more complex leads or rating scenarios, the property-casualty carrier may prefer to close the lead before handing off the customer to a local agent for servicing. It is important, however, for carrier-generated quotes to be accurate and for carriers to know how to properly bridge the lead. Otherwise, agents may have to re-quote customer rates and the customer may go elsewhere.

Faced with increasing volumes of data, insurance carriers are challenged with developing and executing a strategy that provides deeper insight into the evolving marketplace and delivers a more effective means of achieving profitable growth, reducing loss ratios and lowering expenses. With external influences (e.g., natural disasters) playing a larger role in the industry, carriers are turning to **predictive analytics and business intelligence** to quickly assess and redirect their actions in a more precise, consistent manner.

Recent innovations in predictive modeling and software products have made it possible for these tools to be desired technologies for investment. By using these technologies, carriers are able to create more accurate pricing models, make better underwriting decisions, and improve the outcomes of sales and marketing campaigns. Almost 37 percent of those property-casualty carriers surveyed by IVANS are currently implementing or have plans to integrate predictive analytics and business intelligence into their businesses over the next 12 months. One-third of carriers have already implemented these technologies, while 16 percent of survey respondents are including it in their long-term plans.

There will be over one billion global users of mobile devices by the end of 2011. Overall, 21 percent of survey respondents are putting into operation some type of **mobile device or desktop virtualization** and 13 percent are planning to do so over the next year. Carriers are using mobility to improve productivity in such areas as sales, support and claims.

Mobile applications for smartphones are being deployed to enhance customer service, personal digital assistants (PDAs) are now routinely used in the field to assess claims and in-vehicle mobile devices (also known as vehicle telematics) are being used in cars for pay-as-you-go or mileage-based insurance. Desktop virtualization enables carriers to lower IT costs while provide better agent support. This technology can also be especially useful to carriers when preparing for mergers and acquisitions, and its flexibility can help with regional compliance requirements.

Commercial lines download is gaining traction in the insurance industry and it is worth inclusion, given its rapid growth. Those familiar with this application know it saves time and improves operational efficiencies for agents by reducing manual processes and producing more accurate information. And, the industry-wide adoption of minimum data sets, has taken the guesswork out of what data is required and where to find it, making implementation and adoption far easier than in previous years.

According to IVANS study, 30 percent of carriers have recently invested in commercial lines download and one-quarter are either implementing this technology or will be integrating it into their workflow within the next year. IVANS has seen an 18 percent increase in transaction volume, year over year, and expects this growth to continue as more agents look to enhance the customer experience via a single workflow that maintains all of their carrier's policies.

Of those carriers that have not implemented commercial lines download, 30 percent of survey participants cite "other priorities." While large projects, such as policy administration systems, are taking precedence, IVANS believes these initiatives will be a catalyst for growth in automation as download functionality becomes integrated into these new or upgraded systems.

Social Networking

LinkedIn and Facebook are overwhelmingly the most popular social networking tools among property-casualty carriers surveyed. Fifty percent of respondents are using LinkedIn and almost 49 percent are relying on Facebook as a daily business tool for communication, even though a return on investment is difficult to measure for both. Interestingly, 52 percent of agents surveyed by IVANS in another study said they do not engage in social media and, of those who do, only 14 percent use it to enhance customer service, citing lack of resources and having to compete with carriers for customer attention as major barriers.

The survey findings indicate that for property-casualty carriers and agents to realize the full potential of social networking, they need to develop joint social media strategies that cultivate customer relationships and improve agent-carrier communication. The strategies also need to communicate thought leadership while provide guidance on privacy and security issues. Doing so creates a consistent message that will further strengthen the brand, and lead to greater business growth for both.

Conclusion

IVANS survey findings indicate that carriers are focusing on infrastructure, innovation, predictive analytics and automating workflows to maintain growth and create market differentiation in an increasingly difficult economic and regulatory environment. The challenge will be for carriers to create a clear strategy on value creation that aligns technology with business strategy, and optimizes the benefits with a carrier's business partners. Equally important will be for insurance companies to respond to emerging opportunities in technology with a strategic business agility that is balanced with resource-efficiency. Adhering to these principles will enable carriers to capitalize on new market opportunities, foster long term growth and outperform those that have not been able to adapt during uncertain times.

Survey Methodology

The survey was conducted electronically from July 12-16, 2011, and the results represent responses from 120 property-casualty insurance carriers from across the United States. The participants represented a wide range of roles, including Information Technology (60%), Executive (16.3%), Underwriting (10%), Marketing (8.8%) and Administration (5%). Of those respondents who completed the survey, 36.3% came from an insurance carrier with a direct written premium (DWP) of $101M - $250M. The remaining DWP percentage breakdown is: $100M or less (16.3%), $251M-$500M (15.0%), $501-$750M (7.5%), $1B-$5B (11.3%), $5B or more (7.5%) and $751M-$1B (6.3%). Eighty-two percent of respondents write personal lines, 79 percent write commercial lines and 26 percent write specialty lines.

Participation in this study was voluntary and respondents had the option to withdraw at any point. All responses were kept confidential, and all research data is reported in aggregate form.

About IVANS

IVANS, Inc. provides the healthcare and property/casualty insurance industries with fully managed network, electronic data interchange (EDI) and agency-company interface solutions to help solve complex business issues. Headquartered in Stamford, Connecticut, IVANS serves over 1,000 insurance and healthcare organizations, more than 30,000 independent agents and 135,000 healthcare providers. With over 28 years of experience successfully managing networks, the company also offers its clients relentless customer service, reliable and accessible technical helpdesk support and expert enablement. IVANS, which was formed by 21 insurance companies, also has offices in Tampa, Fla. and Cincinnati, Ohio. For more information, visit **www.ivans.com**.

Underwriting Solutions, Consumer Portals Among Top Five Technologies That Carriers Are Implementing

| Technology Investments	Already Implemented	Currently Implementing	Plan to Implement in Next 12 Months	Long-Term Plan to Implement	No Plans to Implement
Predictive analytics/business intelligence	30.2%	22.6%	14.2%	16.0%	17.0%
New or upgraded policy administrative system	20.8%	32.1%	10.4%	23.6%	13.2%
Agent portals	69.8%	13.2%	6.6%	6.6%	3.8%
Consumer portals	24.8%	21.9%	18.1%	19.0%	16.2%
Personal lines download	69.8%	3.8%	2.8%	0.9%	22.6%
Commercial lines download	29.8%	13.5%	11.5%	22.1%	23.1%
Claims download	19.2%	2.9%	13.5%	30.8%	33.7%
Real-time quoting	61.5%	13.5%	6.7%	3.8%	14.4%
Improved underwriting solutions	21.2%	29.8%	19.2%	13.5%	16.3%
Mobility / virtualization	17.1%	21.0%	13.3%	26.7%	21.9%
Federated security	10.9%	5.0%	5.0%	25.7%	53.5%
Book roll solution	11.3%	10.4%	2.8%	18.9%	56.6%

Facebook and LinkedIn Are the Top Two Social Networking Tools Carriers Use Most
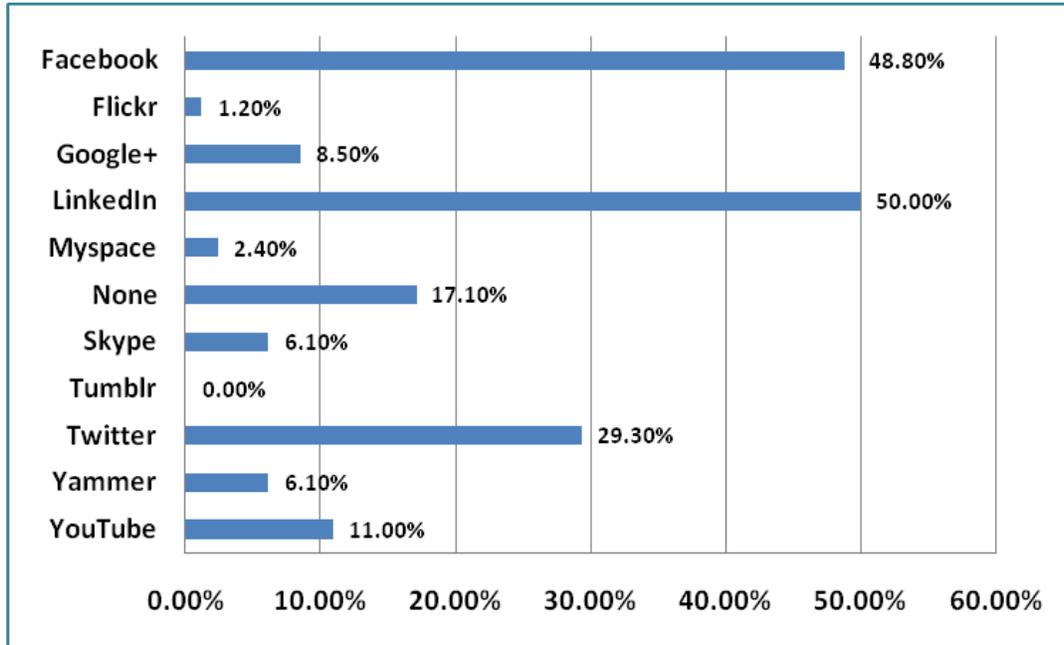
Carriers Feel Social Networking Is an Effective Tool for Communicating with Consumers and Agents

Target Audience	Yes	No
Agents	61.0%	39.0%
Business Partners	48.1%	51.9%
Consumers	79.0%	21.0%
Employees	51.9%	48.1%
Vendors	33.8%	66.3%

Value of an Industry Social Network
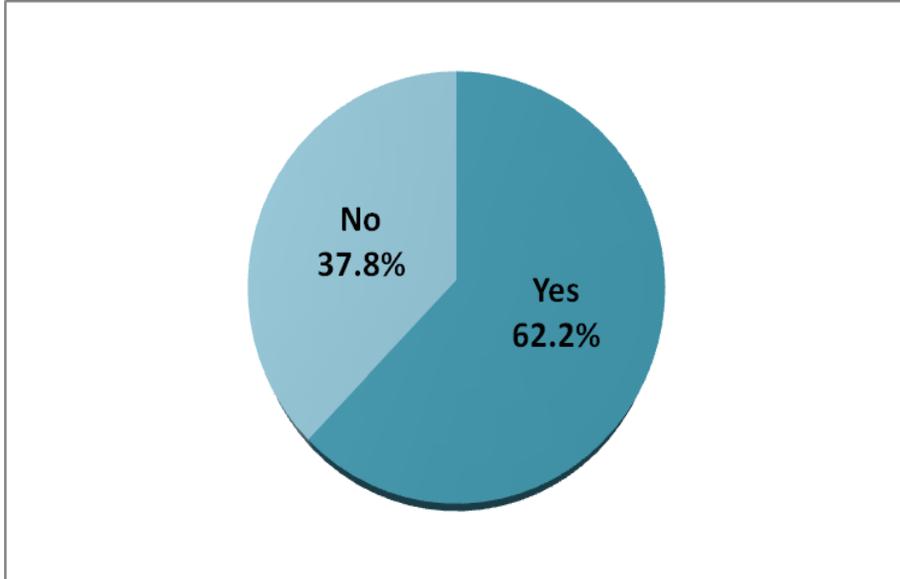
Barriers to Implementing Commercial Lines Download