

## Business & Technology Challenges in Insurance

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Are your people ready?

## Agenda

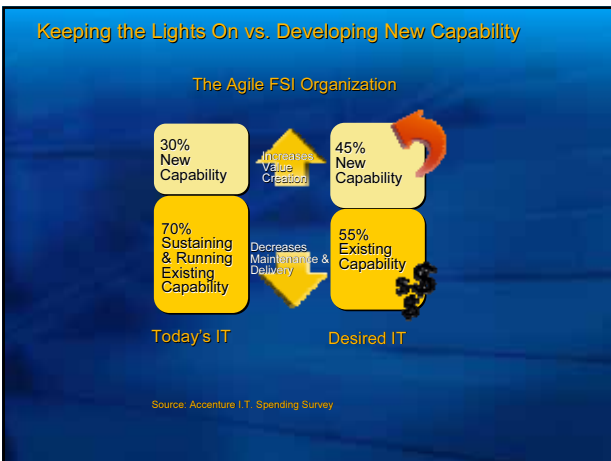
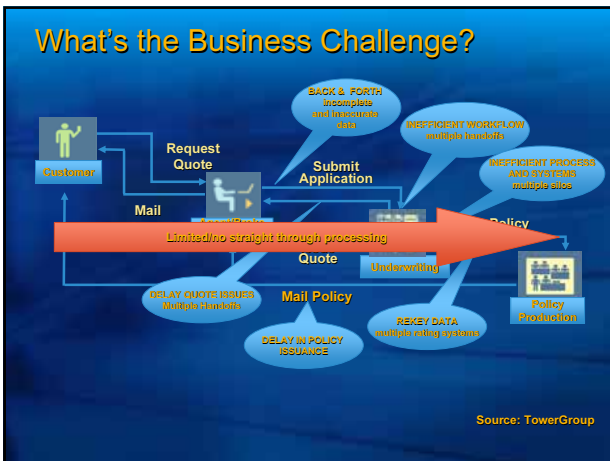
- Insurance Industry Transformation
- Key Business Challenges
- Key Technical Challenges
- Industry Focus and Spending

### Insurance An Industry in transformation...

Issue	Impact
Intense, growing regulatory oversight	Transparency
Multi-channel, integrated services	Customer centricity
Doing more with less	Profitability
Knowledge worker / process excellence	Done once, done right
Value chain (not just enterprise) excellence	Sustainable leadership

### How are the leaders addressing change?

Issue	Response
Intense, growing regulatory oversight	Information <ul style="list-style-type: none"> <li>• Integrated</li> <li>• Customer defined</li> <li>• Dynamic taxonomy</li> <li>• Auto fraud claims, identity theft</li> </ul>
Multi-channel, integrated services	Channels & Customer Management <ul style="list-style-type: none"> <li>• Price &amp; service led</li> <li>• Retention</li> <li>• Portal front end (B2B2C)</li> <li>• Shared back office</li> </ul>
Doing more with less	Enterprise Architecture <ul style="list-style-type: none"> <li>• Services Oriented Architecture</li> <li>• Reference – event driven</li> <li>• Distributed grid computing</li> </ul>
Knowledge worker / process excellence	Process <ul style="list-style-type: none"> <li>• Largely automated</li> <li>• Business process management</li> <li>• Straight-through-processing</li> </ul>
Value chain (not just enterprise) excellence	Sourcing <ul style="list-style-type: none"> <li>• Best sourcing – strategic</li> <li>• Centralized procurement</li> <li>• Standardized</li> </ul>



## IT Budget

Ways to flip the ratios – best practices

- Infrastructure
  - Mainframe conversion
  - Server consolidation
- Maintenance Decreased
  - Sourcing alternatives
  - Legacy migration
  - Sunset/Retire systems
- New Development
  - Sourcing alternatives
  - Leverage, buy then build
  - Web services, reusable components and SOA

Source: TowerGroup

## Initiatives With IT Spending

Business Driver	Objective	Project Examples	IT Spend
Operations	Streamline processes to reduce manual work	Core system enhancements & reengineering, enterprise content mgmt, straight-through-processing, IT architecture standardization	48%
Distribution	Attract and retain profitable producers	Web services, enterprise incentive compensation, illustrations, partner relationship management	18%
Customer Service	Enhance services and delivery channels	Web services, call centers, customer relationship management, communications, delivery channels	16%
Profitability	Achieve profitable and sustainable growth	Automated underwriting, fraud protection, performance analytics, business intelligence, financial reporting	10%
Governance	Integrate risk mgmt. with day-to-day operations	Metrics and measurement, project office tools, executive dashboards, compliance, business and IT alignment	8%
Outsourcing	Strategically manage resources and control costs	Information technology outsourcing, business process outsourcing, global sourcing, processing hubs	

Source: TowerGroup 2004

## The Microsoft Value Proposition in Insurance

Issue	Value Proposition
Intense, growing regulatory oversight	Access, integrate, and analyze information from multiple systems
Multi-channel, integrated services	Leverage Microsoft platform to provide consistent customer experience across channels
Doing more with less	Implement a secure, scalable, and agile IT infrastructure with a lower TCO
Knowledge worker / process excellence	Improve efficiency with Microsoft collaboration tools and office productivity solutions
Value chain (not just enterprise) excellence	Achieve STP throughout the value chain with integrated systems.



## Extra Slides for Consideration

## Mobility in Insurance



### The Microsoft Insurance Value Chain

Working with our partners and customers, we are moving the industry from a segregated set of "siloed"... non-interoperating business processes ... to a streamlined set of integrated applications and workflows ... while reducing the overall costs of deploying, modifying and maintaining those processes through legacy modernization.

### Insurance Value Chain: Turning vision into reality

- Insurance has a richer mix of data than any other financial service – it must process and manage structured and unstructured data, text, graphics, photos, document images and spreadsheets
- The industry also has more long term information locked up in legacy systems than any other financial service. *Interoperability is crucial*
- The insurance industry relies on *agile collaboration* between ad hoc groups of specialists (insurers, loss adjusters, lawyers, service providers and more) as well as a customer base that uses many different technologies (mobile phones, PCs, fax, mail) to provide information
- Microsoft can provide solutions that meet these challenges more effectively than any competitor, on any device, any time any where
- Our goal is "an insurance industry that provides superb customer service through seamless collaboration"

### How are we delivering The Microsoft IVC in EMEA?

- Recruiting and executing with global, regional and local partners, with applications that are best-of-breed insurance solutions, ranging across the IVC from point-of-sale all the way to reinsurance.
- Providing those partners with a framework for integrating their applications based on Microsoft .NET Web Services and industry standards (like ACORD) for Forms and XML transactions.
- Working closely with our partners to reduce the integration pain amongst these solutions and the customers legacy solution
- Microsoft brings the leading edge methods, tools and infrastructure and partnerships with the worlds leading systems integrators to enable integration

### Key partners we are going to market with in EMEA

Vertex, Distribution Technology, Portrait, Sungard	Accenture, Vertex, Sungard, TCP, Lifesystems	Sungard, Wildnet, Moore Stephens	Xchanging, Sirius, Vertex, CSC	Accenture, Xchanging, Sirius	Wildnet, Sungard, Xchanging, msg
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### Recent Insurance Value Chain Customers

Besso, Ergo, Positive Solutions (mobility)	Global Aerospace	Imagination	VBMG, Vital	RSA, Zurich, Lansforsakringar	Oxygen, Willis Group
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## Case Study Global Aerospace



- The world's largest Aerospace insurer, insuring the majority of the world's airline fleet, satellite systems and private airplanes with operations in 38 countries
- Owned by Berkshire Hathaway
- Gross premiums of \$1.5 billion per annum

### Customer Business Challenge

- Difficulty of doing business globally
- Unified customer view lacking
- Inconsistent underwriting standards
- Pricing based on limited or erroneous data

### Solution

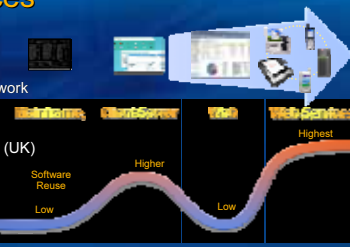
- An integrated risk recording and customer management based on .Net, delivered by Wildnet, a UK based IVC partner

### Customer Results/Benefits

- The book of business has grown 100% over 3 years with same headcount
- Better risk selection has led to 10% improvement in underwriting ratio, equivalent to 10's of Millions per annum



## Selected Migrations in Insurance & Financial Services



- Equifax (US)
- (FNS) Financial Services Network (Aus)
- Lombard Canada (Canada)
- Scarborough Building Society (UK)
- Premiera Blue Cross (US)
- SAMPension (Denmark)
- Sun Life of Canada (UK)
- WorkCover (Australia)
- Skipton Building Society (UK)
- Manulife Financial (Canada)

## Economics

### A dramatic benefit of moving to Windows

	Intel	Mainframe
Price Per MIP	\$2	\$2,000 <sup>1</sup>
16 CPU OS License	\$32,000	\$1,177,000/yr <sup>2</sup>
1 Gig RAM	\$500	\$10,000 <sup>3</sup>
1.2 Terabyte Disk	\$1,500	\$78,000 <sup>4</sup>


x86 8-way has same TPC-C as a 1,347 MIPS mainframe

	Dual Xeon	IBM z900	x86 16 way <sup>5</sup>	IBM z990 15 way
Total Annual <sup>6</sup>	\$26,440	\$262,840	\$200,000 <sup>7</sup>	\$4,482,000 <sup>7</sup>
Per Mb/sec Throughput Linux under z/VM	\$40.25	\$696.02		
Per Mb/sec Throughput Linux LPAR no z/VM	\$40.26	\$463.76		
Per Peak Requests/Sec Linux under z/VM	\$1.79	\$71.23		
Per Peak Requests/Sec Linux LPAR no z/VM	\$1.79	\$48.42		
			16 CPU OS License	\$1,177,000/yr <sup>2</sup>
			32 Gig RAM	\$320,000 <sup>3</sup>
			1.2 Terabyte Disk	\$78,000 <sup>4</sup>


- Computerworld, "Hitachi Regains Iron Peak: Trilium Nine is roughly twice as powerful as IBM's Generation 6 mainframes", February 14, 2006 - <http://www.computerworld.com/news/2006/story/0,11299,41261,00.html>
- ZJournal, August/September, 2003 - John Phelps, [http://www.zjournal.com/EDF/Phelps\\_Article.pdf](http://www.zjournal.com/EDF/Phelps_Article.pdf)
- IBM Press Release August 22, 2003
- Microsoft Whitepaper "Mainframe Linux Benchmark Project", July 2003 - "\$65 per gigabyte for IBM ESS 1.2 terabyte systems"
- Ave vendor list pricing for 16 x z0H2, 32 GIG RAM, Data Center, 1.2 TB RAID
- Performance exceeds 30% of deployed mainframes. Study at [http://www.microsoft.com/000/wp-mm-performanceoct2004\\_tcm21-2830.pdf](http://www.microsoft.com/000/wp-mm-performanceoct2004_tcm21-2830.pdf)
- Microsoft 2003, <http://www.microsoft.com/windows/serversystem/factbook/analysis/winsrvcp.mspx>

## Economics – Testimonials


- Windows a competitive advantage versus the mainframe




"We are facing very much increasing competition ... in that environment if you are not extremely cost efficient, then you will not be around for a very long time"<sup>1</sup>



Financial organizations may stand to save millions of dollars by running their critical applications on Windows rather than on mainframes or UNIX<sup>4</sup>



"Schwan's business plan is to double sales by 2007, elimination of the mainframe is critical to Schwan's being able to meet this goal"<sup>3</sup>



"Our competitors are on mainframes or UNIX ... we have no mainframe..." trading at a cost that provides a significant competitive advantage."<sup>2</sup>

- Gebhard von Trotha, Managing Director, Bertelsmann <http://www.microsoft.com/windows/serversystem/factbook/analysis/winsrvcp.mspx#114>
- Kevin O'Reilly, Barclays Capital, Windows in Financial Services, Spring 2004.
- Tracy Burr, CFO at Schwan's, Cognizant case study
- Dean Matheson, product development Manager, FNS

## Insurance Scenarios

- Claims Adjusters
  - Process claims on-site with electronic forms
  - Maintain connectivity during disaster management
- Agent Workforce
  - Complete insurance sales information at your fingertips while at customer location
  - Cross-selling opportunities
  - Eliminate double-entry and reduce high paper based transactions

### Solutions

- Auto Claims Management - Dexterra
  - Online/Offline claims management application fully customizable to claims business processes. Build on .Net Compact Framework development tools.
- P&C Claims Management - Accenture
  - Property and casualty claims management mobile solution build on the .Net Compact Framework. Leverages SQL CE 2.0, Web Services, Windows Server 2003. Front end to Accenture's Claims Components system which is built on Microsoft technologies.
- CRM for Agent Workforce - Mobitor
  - Customer relationship management solution for mobile agent sales force. Front end to most enterprise CRM solutions (Siebel, Oracle, Peoplesoft, etc)

## Example P&C Mobile Claims Solution

The Symbility mobile claims system runs on tablet and pocket PC's with integrated Bluetooth(R), Wi-Fi and GPRS/1X wireless technology.

The Symbility mobile claims system allows adjusters and contractors to write and process claims on-site with greater accuracy and to settle claims more quickly.

Symbility's mobile, wireless, on-site pen-based system allows claims adjusters and contractors to process claims on-average six times faster than when using traditional processing systems.

\*\*\*Clients include Allstate Canada, Economical and Gore Mutual Insurance in Canada\*\*\*



## Mobility: What our customers tell us

- **Business Benefits**
  - Broad availability at a low cost to reach a wider population
  - Increase employee productivity
  - Reduce cycle time, speed decision-making
  - Increase responsiveness to customers and build loyalty
- **IT Implications**
  - Help secure data and network access
  - Manageable, scaleable IT infrastructure
  - Integrate with existing systems
  - Minimize training and support impact

**Drive revenue, reduce costs and increase customer satisfaction**

## Microsoft's Mobile Enterprise Strategy

A scaleable and standards based mobile platform for information workers and business applications with a rich supporting ecosystem



.NET tools and server integration

Visual Studio .NET



Allow organizations to leverage existing IT investments and integrate mobile capabilities into servers, tools and desktop applications