Insurance Industry Brief: Six Considerations When Implementing e-Business Solutions

- **70 percent of P&C Claims require four to six handoffs; 48 percent take three weeks to process. (Forrester)**
- **Insurance companies could save 10-15 percent annually per policy by integrating the Internet into their sales and administrative processes. (Morgan Stanley Dean Witter)**

Source: ACORD Global Insurance Standards

- **The cost of printing a document represents, on average, one-sixth of the total cost to produce and manage the document.**
- **On average, companies spend $20 in labor to file a document, $120 to find a misfiled document, and $220 to reproduce a lost document. In addition, 7.5 percent of all documents get lost and three percent of the remainder gets misfiled.**

Source: CAP Ventures Research

While statistics strongly support the move to e-business solutions, insurance companies face unique challenges in identifying a solution that improves productivity and reduces paper dependency without costing a fortune to implement.

eLynx
enter the world of e

Changing core operational processes may seem daunting, especially when the business is as large, complex, and bound by compliance and regulatory issues as the insurance industry. Yet perhaps more than any other business, the insurance industry stands to significantly benefit from e-business services. The reduced processing times that result from electronic review, delivery and approval have a bottom-line impact with exponential cost savings. In addition, corporate executives are finding that these initiatives also deliver significant benefits such as increased operational efficiencies, improved workflow and ultimately an enhanced customer experience.

The Challenge

Due to the complexities involved in insurance processes, many companies fear that the upfront costs of implementing an e-business solution may be too significant to warrant the return on investment. The highly complex, detailed and multi-faceted nature of the insurance business may also make the execution of these services appear overwhelming:

- The insurance cycle consists of numerous, detailed steps requiring extensive personal data to complete many processes. The work consists of the generation of printed policies, priced by compiling and analyzing reams of data, and then serviced with monthly paper invoices for the lifetime of the customer or until a claim must be processed – on paper.

- The multiple variances and unique requirements among states and jurisdictions require additional workarounds.

- Operational challenges are compounded by the ongoing struggle for compliance with numerous, ever-changing regulations.

- After attempting to apply hardware and software packages that were cumbersome to integrate and delivered minimal cost savings upon execution, many companies have been left with a negative perception of paperless solution providers.

Attempting to attain the cost savings of paperless processing, many companies subscribed to new technological solutions for core processes such as underwriting, claims payment, policy administration and correspondent support. However, now these companies are realizing that these technologies are on disparate systems supporting segmented business sectors. Without connectivity between the information, companies still rely on paper trails, data re-entry and costly courier/mailing services to bridge the gaps. Because each unique database must be updated when information changes, even the most basic policy transaction can take weeks to be processed.

Many proponents of e-business services are touting expensive new technologies and difficult alterations to time-honored processing workflows. This has led to the perception that, to eliminate paper, businesses must first buy in to something even more expensive and difficult to implement. Fortunately, this is not the case when companies consider these requirements before moving to an e-business services solution.

Six Considerations for Implementing The "Ideal e-Business Solution"

1. Consider Average Cycle Time – and Its Impact

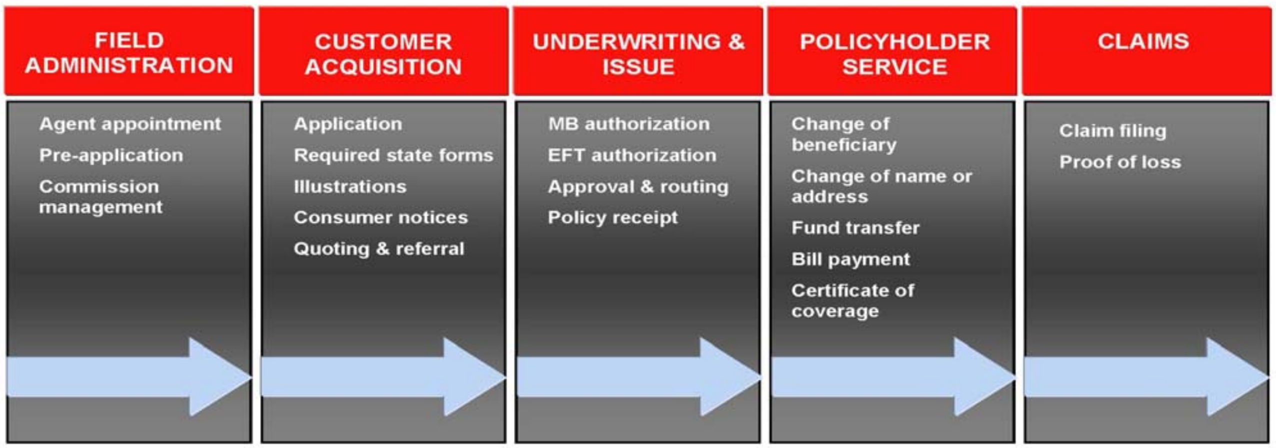
The average cycle time in the insurance industry for signing and closing a policy is approximately 30 days. Longer cycle times directly impact the time and focus allotted for new business capture and retention.

Automation is a key component to successful business operations in today's increasingly competitive environment. In the financial services industry, (which is also burdened by required forms, compliance issues and regulatory issues,) shortening a historically lengthy cycle is one of the core benefits resulting from the successful adoption of next generation technology.

While many institutions have made great strides streamlining internal processes, they still struggle with automating customer-facing processes outside of business firewalls and organizational boundaries.

According to Celent analyst Craig Weber, "*E-signatures can be used effectively in the insurance industry, which struggles with long cycle times and high process costs. Particularly in relatively low-risk processes like taking applications for health and auto insurance, more carriers should be using e-signatures to help meet customer expectations of convenience and speed. Carriers are hesitant to go down the e-signature path because they perceive it to be risky, but the reality is that carriers using e-signatures today have found ways to mitigate the risk. And their efforts are reaping tangible rewards.*"[i]

The below chart represents key areas where e-signatures can be applied to produce dramatic reductions in cycle times:



2. Consider the Next Competitive Front – Customer Experience

Another direct and equally important impact of reduced cycle time is improved customer experience – an area of the competitive landscape where visionary insurance providers stand to see significant gains. As consumer-facing businesses are quickly learning, immediate gratification no longer counts as exceeding an expectation – it is demanded as the status quo for service.

According to a recent report by Celent, a research and consulting firm focused on the application of information technology in the global financial services industry, 15 percent of consumers surveyed completed their most recent purchase of insurance online. And while traditional methods are still delivering the majority of leads, online methods now rival telephone-based sales. In addition, the vast majority of consumers are getting multiple quotes before they buy, and a lot of that activity is online.[ii]

More and more, today's consumer is comfortable doing business online, and as a group, consumers are likely to gravitate to those companies that provide them with the greatest flexibility and convenience. In addition, cutting the time to sign and close a policy benefits the agents in the field, who are paid more quickly and given the incentive to generate more business for a particular carrier.

All things being equal, customers deciding among agencies who carry the products of multiple insurance carriers will give preference to the carrier offering a better consumer experience and shorter cycle times. Agency management should be focused on generating new business, not chasing after old. Companies that move to complete processes electronically and take advantage of electronic signatures are going to be those most likely to capture and hold on to more customers.

3. Consider Industry Standards

ACORD stands to be the guiding force for the insurance industry's adoption of electronic standards. It is imperative that insurance companies select a paperless solution provider that embraces these standards.

ACORD Statement on Standards

"New technology has reshaped the business environment and those that embrace and resolve the challenges facing the industry will be those who survive and succeed."

Companies must align their business strategy to this new paradigm and create an IT strategy that incorporates new approaches to collaboration, sharing data and data integration. A foundational component of your business and IT strategy is a commitment to industry standards; a commitment to the development and the implementation of standards at every touch point in the insurance value chain.

Without this strategic commitment, how else will you:

- ***Share data with trading partners***
- ***Link with new partners***
- ***Decrease ongoing maintenance***
- ***Leverage your legacy system***
- ***Focus resources on core competencies***
- ***Retain customers***
- ***Compete in the new e-business world?"***

ACORD stands to be the guiding force for the insurance industry's adoption of electronic standards. It is imperative that insurance companies select a partner that embraces and helps drive these standards."

Source: http//www.acord.org

Standardization and guidelines keep the benefits of electronic business secure and beneficial to both corporations and consumers.

4. Consider Security, Compliance and Privacy Requirements

Regulations are an ever-present facet of the financial services industry. However the past decade has seen a significant increase in security, compliance and privacy challenges. In addition to governmental regulations, companies must also remain cognizant of the growing consumer concern over the handling of personal information.

As news of security breaches and identify fraud are more highly publicized, consumers are increasingly aware of privacy and security issues around their personal data. More than twenty states have passed comprehensive consumer data privacy and security laws, and Congress is working towards establishing a national standard, with several pieces of legislation currently in review.

Increasingly it seems that meeting these requirements requires almost as much time and budget as operating the business itself. For many, the thought of electronic processing implies more risk – when in fact it is the exact opposite case.

When electronic business solutions are properly designed and embedded as an enterprise-wide discipline, they do more than enhance compliance, security and privacy requirements. These solutions create more efficient processing through built-in quality checks that reduce many of the manual errors created by paper processing. This helps reduce cycle time, which allows a company to focus on its primary business objectives.

Struggling with these challenges, many insurance companies have pursued "quick-fix" technological solutions. Many then discover that after a cumbersome implementation, (that is difficult and costly to execute across the enterprise), the programming becomes quickly outdated and must be replaced with an additional or "enhanced" version. These updates can create a drain on resources, money and time. Partnering with an e-business services provider that understands these issues is paramount when implementing e-business services.

5. Consider Time, Cost and Impact of Implementing Technology

The advantages gained through hardware and software technologies have been monumental, and have shaped the way business is done today. However, as any IT professional and c-level executive can attest, the allure of a "catch-all" customized technological solution has been replaced by the dismal reality of cost, implementation and timeliness to execute on something that quickly becomes obsolete.

This evolution has led to the development of **Software as a Service**. Software as a Service (SaaS) is a model of software delivery where the software company provides maintenance, daily technical operation, and support for the software provided to their client. In this model, software can be "delivered" to any segment of a business or market, including consumers, correspondents, agents, customer service and other operations within the insurance industry.

For the insurance industry this is key, not only because of the cross-enterprise reach, but because of the model's adaptability and flexibility. Consider this: It takes major software companies anywhere from one to five years to deliver an application. A SaaS provider can deliver hundreds of iterations during that time period, updating the requirements on-demand as needed. The solution is ideally suited for industries struggling under the burden of compliance, security and privacy challenges, such as the insurance and financial services sectors.

A reputable SaaS provider develops a relationship with the client, and fully understand the processes, the business needs, the client's unique objectives and the nuances of the industry climate that impact day-to-day operations as well as long-term goals.

6. Consider Whether You Need a Provider or a Partner

Most paperless solutions are offered by companies that specialize in the development of new software and hardware technology. This is a costly business. It often takes years before a new application has been designed, coded, tested and marketed. These companies often need to sell their platforms before they can begin investing in future updates to the tool's functionality – which makes these solutions expensive and risky.

To be effective, an e-business solution has to go beyond document and content management and document delivery -- and many platforms on the market today do not. To deliver the fullest potential of e-business services, the solution must allow an insurance company to reach out beyond its own walls and interact with customers and partners in other organizations. This requires a proven e-business service that is easy to use and fully compliant.

Your e-Business Solution

eLynx is a leading innovator of e-services that quickly integrate with existing business systems to transform costly paper-intensive business processes into secure electronic methods, while concurrently promoting the needs of Property & Casualty, Life & Health, Reinsurance and other divisions. This enables insurers to automate policy processing, including management of transaction documents, and to review, approve and deliver correspondence and policies electronically. By streamlining workflow, insurers are able to focus on underwriting and business development – not on paper management, compliance and correspondent management.

> ***Success Designed for the Insurance Industry:*** To date many insurance companies have been hesitant to adopt e-signatures and other e-business options, because varying state regulations make an "umbrella" initiative seem out of reach. Conquering the challenges of state-by-state regulations is what eLynx has been doing for financial institutions for years. Since 1994, eLynx has brought the benefits of e-business and e-signature technology to clients in compliance-sensitive, multi-jurisdictional industries.
>
> ***Competitive Advantage through Customer Experience**:* eLynx has enhanced entire document lifecycles (and all the associated requirements) for 14 of the top 20 financial institutions in the nation. In 2005 alone, the company processed over 25 million e-business transactions, saving hundreds of millions of dollars for their financial institution clients. These improved processes also promoted customer experience throughout the customer lifecycle – from origination through closing through account maintenance through cross sales of additional products.

eLynx financial clients have shortened their lending processes by as much as 50 percent – with the average mortgage transaction cycle time going from approximately 28 days to around 14 days, with some events being processed in as little as three days. This has resulted in millions of dollars saved annually for these institutions, in addition to increased customer satisfaction.

***Standards that Strengthen Your Industry**:* Standards, compliance considerations and security measures are embedded throughout all eLynx products and services. A registered ACORD member, the company is a strong proponent of e-business standards for the advancement of insurance industry. eLynx also undergoes a quarterly, third party SAS70, Level II audit/certification procedure that assures compliance and documentation of key processes.

Security that Strengthens Your Business: By securely archiving records required for business maintenance, eLynx empowers companies to focus on efforts that *grow* the business. Transaction documents for eLynx clients are securely encrypted and archived, with backup files stored in dual data centers located in separate geographic regions to safeguard against loss due to natural disasters. The data in these centers are also monitored 24/7 by highly trained, certified professionals.

***Software as a Service**:* eLynx is a service, rather than an infrastructure you need to purchase. There are no upfront investments in either hardware or software. Along with the enhanced efficiencies, automated compliance, and electronic communication and data transfer, comes a significant reduction in time and cost.

The Right Partner for Your e-Business Advantage: eLynx specializes in meeting the challenges of e-business applications for the insurance industry. The company does not attempt to change its clients' processes and infrastructure. Instead, eLynx uses Web-enabled products and services to remove paper from its clients' current processes. With this simple approach, the experience of the end users, employees and customers remains virtually unchanged and seamless.

At eLynx, we go beyond delivering e-business services, to passionately driving it with groundbreaking ideas and creative solutions to industry challenges. eLynx enables your business to improve workflow and deliver dramatic cost savings by automating paper-intensive processes that quickly integrate with your existing business systems. Our innovative solutions ensure compliance with evolving industry regulations and standards, while maintaining data electronically throughout the document lifecycle. The nation's top financial institutions rely on eLynx to communicate with customers and collaborate with business partners quickly, securely and reliably.

For more information about eLynx visit www.elynx.com.

Enter the World of e

Security – eLynx maintains high security standards and maintains an SAS 70 Level II audit. Its architecture has been designed with security in mind, and complies with all relevant insurance industry regulations. eLynx employs dual data centers to ensure protection of data and business continuity in the event of natural or other catastrophes.

Compliance – With years of experience dealing with multi-state, multi-jurisdictional compliance, eLynx professionals are experts in the field. In addition, our technology includes built-in quality controls that promote compliance, and is designed to facilitate the secure transfer of signed electronically documents between different institutions.

Savings – Minimal to zero investment is needed to start using eLynx. We require our customers to make money on this investment before we get paid. Our service model incents us to make you successful. In addition, our award-winning electronic signature technology makes it possible for our customers to streamline many aspects of their operations, improving efficiency and saving money.

Service – eLynx proactively monitors service performance in its Network Operations Center and will often detect potential problems before there is any chance to affect customers' businesses. eLynx technology reduces cycle times by up to 50%, making it possible to serve more customers in less time and lower expenses.

Standards – eLynx is committed to aligning its offerings with industry standards. An active member of ACORD, eLynx is committed to developing and encouraging the adoption of insurance industry data standards. The company has played a leading role in similar initiatives for the financial services sector.

Experience and Expertise – eLynx has experience in meeting the unique requirements of large and successful financial services companies since 1994. The firm has developed an expertise in improving the performance of processes that result in the most immediate and significant financial benefits to its customers, most often by improving the document lifecycle. Ensuring a quick and significant return on investment is one of our critical success metrics.

---

[i] http://www.celent.com/PressReleases/20020820/E-Signatures.htm
[ii] http://www.celent.com/PressReleases/20051228/PersonalAuto.htm