



IBM **Information Management** software



The New Art and Science of Insurance Underwriting: An Enlightened Approach





One key is improving the speed and quality of decision making by leveraging both technology and valuable human resources - a marriage of art and science - to establish optimal underwriting processes.

Insurers provide a valuable service that goes well beyond a mere “policy.” For only dollars a day, insurers provide a sense of security, peace of mind and a safety net to guard against the great unknown for millions of individuals and companies. This is true throughout the insurance industry; whether it be life, health or property and casualty.

The cost of doing business is on the rise and no industry knows this better than the insurance sector. Over the past few years, insurers have seen their margins erode due to declining investment income, poor data quality, inefficient distribution and underwriting practices and exposure to cataclysmic natural disasters and terrorism.

Underwriting, in particular, is a key business process to manage as it involves measuring risk exposure and determining the premium that needs to be charged to insure that risk. The function of the underwriter is to acquire—or to “write”—business that will make the insurance company money, and to protect the company’s book of business from risks that they feel will make a loss. In order to continue to fulfill this critical need, insurers must be wary of their underwriting process. Just a few bad decisions can significantly impact profitability. To this end, an insurer’s ability to screen applicants, assess risk and issue new policies quickly and cost effectively is key to survival and growth, especially in soft markets.

Insurers must improve the speed and quality of decision making by leveraging both technology and valuable human resources – a marriage of art and science – to establish optimal underwriting processes for policy issuance. Providing highly integrated “case management” solutions can help insurers organize information about data, documents and tasks in easy to access methods that expedite decision making and record keeping. These solutions allow underwriters to rapidly review the applications to minimize the negative effect of interruptions; this also enables field agents to see the status of applications via a Web portal, reduces overall underwriter stress and increases job satisfaction.

The following outlines several guiding principles inherent in this approach:

Principle I: Start with the Basics—Quality and Quantity

The insurance industry continues to change at a rapid rate. These changes are even more demanding for the underwriting department. Today, the process is highly dependent upon knowledge workers who are required to review and analyze multiple pieces of raw information from numerous sources. Underwriters must analyze that information quickly while attempting to adhere to various rules and



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regulations. Information is provided for review in a multitude of formats during the risk assessment process, potentially delaying the decision or making it more difficult to process. Delaying the decision often decreases the likelihood of placing the policy at all.

The underlying challenge for insurers is shortening the time for the completion of the underwriting task while maintaining or improving **quality** of business written. Improving decision making at the beginning of the underwriting process cycle and establishing an automated “case management desktop” ultimately speeds the processing cycle and consolidates all information.

Once the process is optimized and under control, insurers can guarantee all their focus is spent acquiring business that will add, as opposed to drain, profits. From this point on, insurers need to focus on streamlining the various processes leading to policy issuance. By reducing processing cycle time, improving throughput and providing a quality of service that makes them the preferred insurer to do business with, they can improve the **quantity** of quality business written, which leads to greater profits.

Principle II: Respect Risk (Then Mitigate It)

Over the past decade, the insurance industry has been subjected to widespread criticism. One of the reasons is inconsistency in determining acceptable levels of risk and appropriate pricing options. As a result, insurers are focused on analyzing risk more consistently, regardless of where underwriting occurs.

A rules-based, case management framework enables underwriters to eliminate process variability and much of the non value-added tasks built into their previously manual processes. This allows underwriters to focus more on a disciplined, actuarially developed methodology for pricing and risk selection decision making. The resultant greater efficiency and control allows insurers to better leverage their underwriting talent by having them apply their judgment, skills and insight to the cases where the risk assessment is not “cut and dry”. Underwriters can then spend their time working on the more complex accounts and activities, letting the automated processes handle the high-volume, routine business and low-value tasks. Finally, automating many of the administrative components of the underwriting process reduces underwriter stress and increases job satisfaction.



Business process management (BPM) and case management play important roles in streamlining decision making.

Principle III: Think Fast—Conserving Time and Energy

The underwriting process requires incredible focus and attention to detail, however, underwriters are interrupted regularly. The effect is a loss of focus and the need to restart the process where they left off. Business process frameworks support the application of insight for improved decision making and better risk management. Business process management (BPM) and case management play roles in streamlining decision making. The technology is used to automate the myriad tactical/operational decisions and tasks that are required throughout the underwriting lifecycle. It also provides easy-to-navigate access to internal and external data, documents, completed and uncompleted tasks and other information. Automation boosts productivity, reduces cycle time from quote to issue and—in some scenarios—can automate the entire underwriting process, thereby achieving the goal of straight-through processing.

New technologies also enable insurers to change processes quickly. The ability to change underwriting policies as needed allows insurers to pursue only the most profitable policies and customers as dictated by current market conditions. This flexibility enables companies to modify processes as needed to support new insurance products, to make changes to existing products and to allow for the addition of off-shore resources or new regulations or compliance requirements.

BPM also provides the necessary data to enable companies to monitor results to support continuous improvement initiatives. Accurate measurements and metrics are put in place and the success (or failure) of processes can then be assessed using quantifiable benchmarks. This is one of the key benefits BPM brings to the table – automated controls and data gathering about the performance of processes.

Principle IV: Establish “Preferred Provider” Status

By automating the bulk of underwriting processes, insurers are able to issue a policy faster, which translates into more business. It has been shown that there is a higher signing incidence for the carrier that is able to be first with an offer, so the faster an insurer can execute, the more they increase their chances of winning business. Customers and agents who receive a quick “yes” to their policy applications are less likely to seek insurance elsewhere.

By automating underwriting decisions and processes, insurers make it easier for agents to do business with them, and to be seen as a preferred provider and



Ultera/P8 for Underwriting replaces paper-based work management with digital documents and electronically-guided workflows to improve process efficiencies and reduce costs.

business partner. Automation also enables insurance companies to provide exceptional customer service through reduced time to service and increased transparency within their organizations.

The Ultera/P8 for Underwriting Advantage

Designed and built by insurance industry experts and based on real-world customer requirements, Ultera/P8 for Underwriting offers a comprehensive underwriting case management and BPM solution that enables insurers to better leverage resources, thus improving productivity and cycle times and reducing costs. The solution streamlines underwriting decision making so that applications are approved or denied on a timely basis, delivering significant competitive advantage and lowering risk. Ultera/P8 for Underwriting integrates tightly with sometimes cumbersome legacy applications to provide a much more efficient “underwriter desktop”.

Ultera/P8 for Underwriting replaces paper-based work management with digital documents and electronically-guided workflows to improve process efficiencies and reduce costs. To enable straight-through processing, applications that are “clean” and complete can be automatically underwritten and approved without staff intervention. For applications requiring underwriter consideration, Ultera/P8 for Underwriting creates electronic work items and immediately distributes them to the next step in the process. Ultera/P8 for Underwriting matches trailing documentation with existing work in progress when additional documentation, such as medical records, is requested. The Ultera/P8 for Underwriting interfaces not only enhance staff productivity, but also improve the accuracy with which decisions are made by ensuring process consistency.

Scalable from the smallest to largest numbers of users across geographically dispersed operations, IPD’s Ultera/P8 for Underwriting, built on the IBM Enterprise Content Management (ECM) suite of products, offers a single user interface for the comprehensive management of requirements and related underwriting activities to streamline decision making for policy issuance. The solution provides a user friendly intelligent graphical interface that enables users to:

- Bring all information into an integrated “case management” structure;
- Control the movement of information and tasks through a structured BPM;
- Provide an efficient set of user interfaces (UIs) for intuitively accessing all necessary information, including data from older legacy applications, as well as documents and the history of all actions taken as of a point in time;



- Provide a rich set of automated features to reduce the amount of time spent on low value-added tasks;
- Expose BPM features that allow underwriting management the agility to make rapid changes to a process, tasks, documentation standards, off-shoring, etc.; and,
- Provide an up-to-the-minute status of each “case” for customer and agent service, plus a complete history of all actions taken, documentation collected, etc. to ensure compliance with policies and regulations and to support auditing or legal discovery.

Ultera/P8 for Underwriting delivers a low total cost of ownership and a compelling return on investment, with complete payback averaging less than 12 months. IPD clients report dramatic performance improvements and business returns. Leveraging Ultera/P8 for Underwriting, insurers can:

- Increase productivity by 30-50 percent;
- Reduce cycle times by 50 percent or more;
- Achieve processing cost reductions exceeding 40 percent;
- Enhance customer service;
- Improve agility and regulatory compliance; and,
- Improve visibility of operations and performance.

To learn more about [Enlightened Underwriting: The Art and Science of Decision making](#), please contact:

Jenny Gogan

IPD

Ph: 248-723-9733, x 1008

Email: jgogan@ipdsolution.com

www.ipdsolution.com

www.ibm.com/software/ecm/ipdunderwriting



About IPD

IPD has been an IBM Software ValueNet Business Partner since 1991.

IPD provides Business Process Applications based on the advanced Ultera® framework. Ultera® provides rapid deployment and low risk and is proven with the IBM BPM and ECM architectures in many well known insurance companies. IPD was an early innovator of out-of-the-box solutions for work process automation that could be rapidly deployed through configuration instead of customization. IPD provides out-of-the-box business process optimization with application software designed for Health, Life, Disability and P&C companies. IPD's suite of applications incorporates the latest technologies and unparalleled functionality.

Ultera® is the alternative to the "build it" approach for business process applications for the insurance industry. To learn more visit us at: www.ipdsolution.com.

IPD is an independently owned company headquartered in Bloomfield Hills, Mich. IPD maintains sales offices throughout North America.

About IBM ECM

IBM's Enterprise Content Management software enables the world's top companies to make better decisions, faster. As the market leader in content, process and compliance software, IBM ECM delivers a broad set of mission-critical solutions that help solve today's most difficult business challenges: managing unstructured content, optimizing business processes and helping satisfy complex compliance requirements through an integrated information infrastructure. More than 13,000 global companies, organizations and governments rely on IBM ECM to improve performance and remain competitive through innovation

IBM Corporation

3565 Harbor Boulevard
Costa Mesa, CA 92626-1420
USA

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Costa Mesa, CA 92626-1420
USA

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