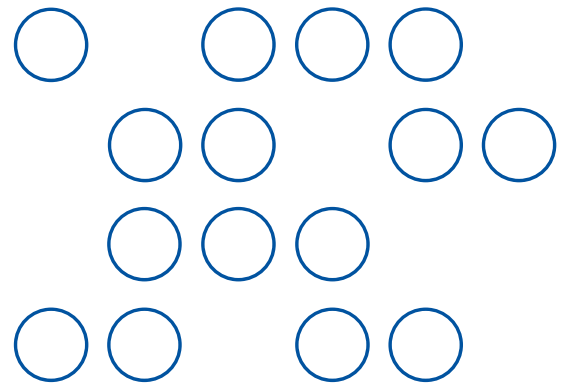




Communication Intelligence and 'Straight through' Policy Production

Bringing More Accuracy,
Responsiveness and Efficiency
to Policy Production and
Underwriting Automation





Introduction

Swarms of young men and women, employees of broking firms, wander about with stacks of contract paperwork under their arms. Once they get to an underwriter's desk, some will queue for an hour or more waiting to tweak the tiniest detail in a contract. After changes are marked on a paper copy, the contract is carried on to the next underwriter involved in it.¹

The description above isn't from a Charles Dickens novel set in a candle-illuminated, quill-driven Victorian institution of a century and a half ago. It is from the British newspaper *The Economist*, writing in 2007 about the underwriting center of Lloyd's of London. A cumbersome and time-consuming policy production process is one reason – the newspaper notes – why it costs an established carrier 1.5 to three times more to write catastrophic P&C risks than an offshore competitor.

Worldwide, significant automation reforms are underway at insurance carriers large and small who seek to make the underwriting process less error-prone and more productive, cost-effective and customer-responsive. They are trying to

reform legacy processes and replace outdated technologies for two reasons: declining quote-to-bind ratios indicate that they are hemorrhaging customers to more responsive, often more accurate new competitors; and underwriting bottlenecks damage agent and underwriter productivity and drive up costs.

For these reforms to succeed, however, carriers need tools and strategies to streamline policy production processes, improve the accuracy and consistency of critical information (such as quotes) and enhance profitability. They must create a new process workflow: straight-through policy production driven by communication intelligence. This will improve their ability to assess, manage and execute the selection and pricing of risk from the transactional level to the business portfolio level.

This Group 1 Software white paper examines how best practices and new technologies deliver communication intelligence and support such critical process reforms in policy production.

¹ "The Rip Van Winkle of Risk," *The Economist*, January 4, 2007



Problems affecting today's underwriting process.

- Inefficient Workflow
- Manual Processes
- Back & Forth
- Delayed Quotes
- Delayed Policy Issuance

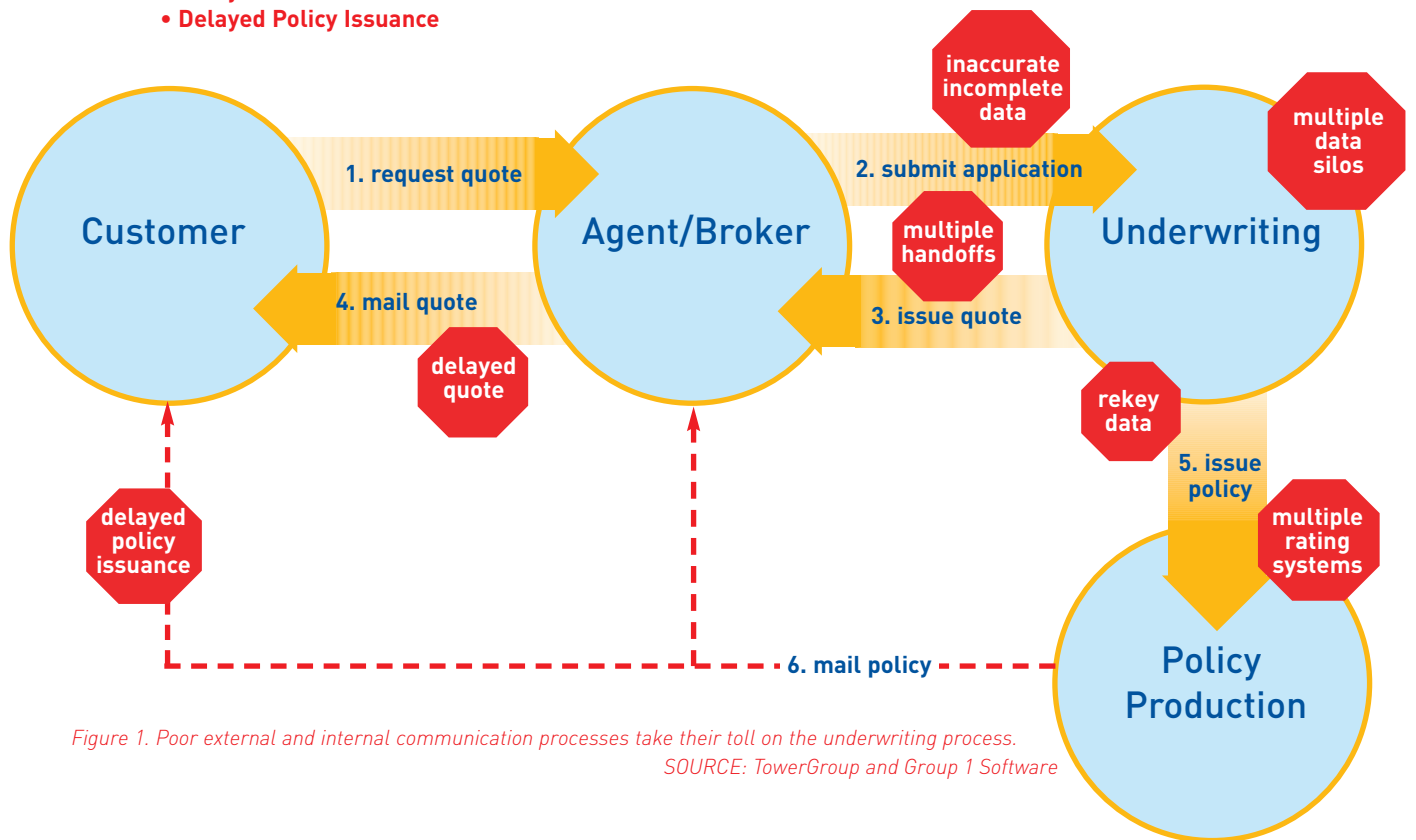


Figure 1. Poor external and internal communication processes take their toll on the underwriting process.
SOURCE: TowerGroup and Group 1 Software

Communication Bottlenecks: At the Root of the Problem

The underwriting or policy production process currently in place at most insurance carriers is replete with many, if not all, of the communications process glitches described above in Figure 1.

Inaccurate or incomplete data is bounced from customer to agent to underwriter and back. Lack of automation necessitates time-wasting manual interventions and multiple hand-offs. Siloed information and IT systems render some information all-but-inaccessible and demand that data be manually re-keyed. Inappropriate geographical benchmarks, such as ZIP Codes, generate inaccurate data. The process is rife with both inefficiencies and the potential for error.



Communication Intelligence: Enabling Straight-Through Processing

Communication intelligence optimizes every point where information is exchanged, in digital or physical form – with policyholders, and across every department and business unit of an organization.

It plays a fundamental role in enabling straight-through policy production and underwriting automation by increasing efficiency, accuracy, overall responsiveness and accelerating key functions such as quoting, binding, policy creation, policy delivery, and invoice presentment and payment. Best practices and technology solutions that deliver communication intelligence are designed to:

- Access and aggregate data from multiple back-office systems.
- Clean and correct vital information, including customer and property addresses and geographical locations for automated territory assignment.
- Enhance the customer/agent experience by slashing waiting times for quotes and improving accuracy.
- Eliminate through automation many time-consuming, error-prone and costly manual interventions and hand-offs.
- Improve quote-to-bind ratios, eliminating pick lists and providing greater accuracy in quote pricing.
- Speed time-to-payment.
- Manage retention risk and improve quality of the business's customer portfolio.
- Comply with different requirements of multiple states and local jurisdictions.

Communication intelligence is driven by customer intelligence, production intelligence and channel intelligence. It materially improves three key aspects of policy production: data quality; policy creation; and Web presentment and payment.

Customer Intelligence and Data Quality

Customer intelligence and data quality initiatives affect multiple key processes. To begin with, Customer Data Integration (CDI) lets insurers access, aggregate and integrate data from multiple sources and multiple systems, breaking down the silos of legacy environments. The result: faster and better pricing decisions.

Address matching and geocoding corrects, cleans and standardizes addresses. Geocoding uses meaningful and highly precise geographic data – down to latitude and longitude – to more accurately determine the exact physical location of each address for territory assignment. (ZIP Codes are optimized for the delivery of mail, not for determining risk criteria.)

Drilling down using more exact geographic information for these specific locations allows insurers to more accurately assess risk-assignment factors such as the boundaries of flood zones, distances to the coastline, and property location relative to earthquake fault lines, wind pools, sink holes and other higher-risk areas. The returned values from such an analysis can also determine whether the policy application should be escalated to a supervising underwriter.

Applying data quality and customer intelligence supports straight-through policy production initiatives by:

- Improving quote-to-bind ratios that have fallen due to increased competition, the advent of “instant quotes,” and higher-than-expected quotes that are the result of poor data quality.
- Standardizing customer data access and aggregation processes for better decision-making and risk management.



Production Intelligence and Policy Design, Delivery and Storage

Production intelligence enables insurers to deliver clear and more accurate quotes and policy information more quickly to agents and customers, in both electronic and physical formats. It helps close business on the spot and builds brand strength.

Sound design principles make policies easier to read and understand. Technology solutions enable the efficient "mass customization" of customer documents. Dynamic document composition technology automates the creation and distribution of personalized documents. It creates and maintains policy and contract pages for all lines of business, as well as schedules, endorsements and declaration pages. It also supports differing state-mandated requirements for audit compliance.

These documents can be delivered and stored electronically for easier access and printing by customer service representatives and policyholders. Industry-standard file formats, such as .PDF from Adobe®, preserve their visual integrity across platforms. Policies are distributed through multiple distribution channels – e-mail, the Web and physical mail. Intelligent enterprise production systems integrate document production and management technologies, sorters, inserters and other equipment to automate the production and processing of large volumes of mail and other communications.

Best practices and technologies for production intelligence are critical to policy production reform by:

- Driving out excess costs, and improving top-line performance through development of new business, by improving both the accuracy and speed of quote-generation.

Channel Intelligence and Web Presentment and Payment

In addition to binding the policy and closing the sale in real time, delivering policy documents to the agent or policyholder through the Web demonstrates another benefit of straight-through processing: shrinking the time-to-payment cycle.

Channel intelligence, through which carriers offer flexible, user-selected delivery channels, creates a mutually managed customer experience. Web-based presentment offers customers options such as: a convenient, turnkey presentment-payment method; a means of checking bills, statements and invoices anytime and anywhere; and flexible payment options. Customers can update their profiles and provide new information, such as changes of address, as needed.

Insurers gain a valuable channel to offer enrollment and re-enrollment options, or to use e-mail to notify customers of account events such as a new statement or invoice, a missed or late payment, enrollment problems and policy changes. And policies may also be printed in hardcopy form at the agent's office, or at the policyholder's home.

Channel intelligence satisfies two objectives of straight-through policy production:

- Integrating back office systems and data with customer-facing and agent-facing Web portals.
- Increasing both customer and agent satisfaction and long-term loyalty.



Communication Intelligence and Underwriting Process Reform

- Accurate, Timely Quotes
- Improved Data Quality
- Real-time Digital Communication
- Effective Automated Processes
- Cost-Efficient Policy Generation

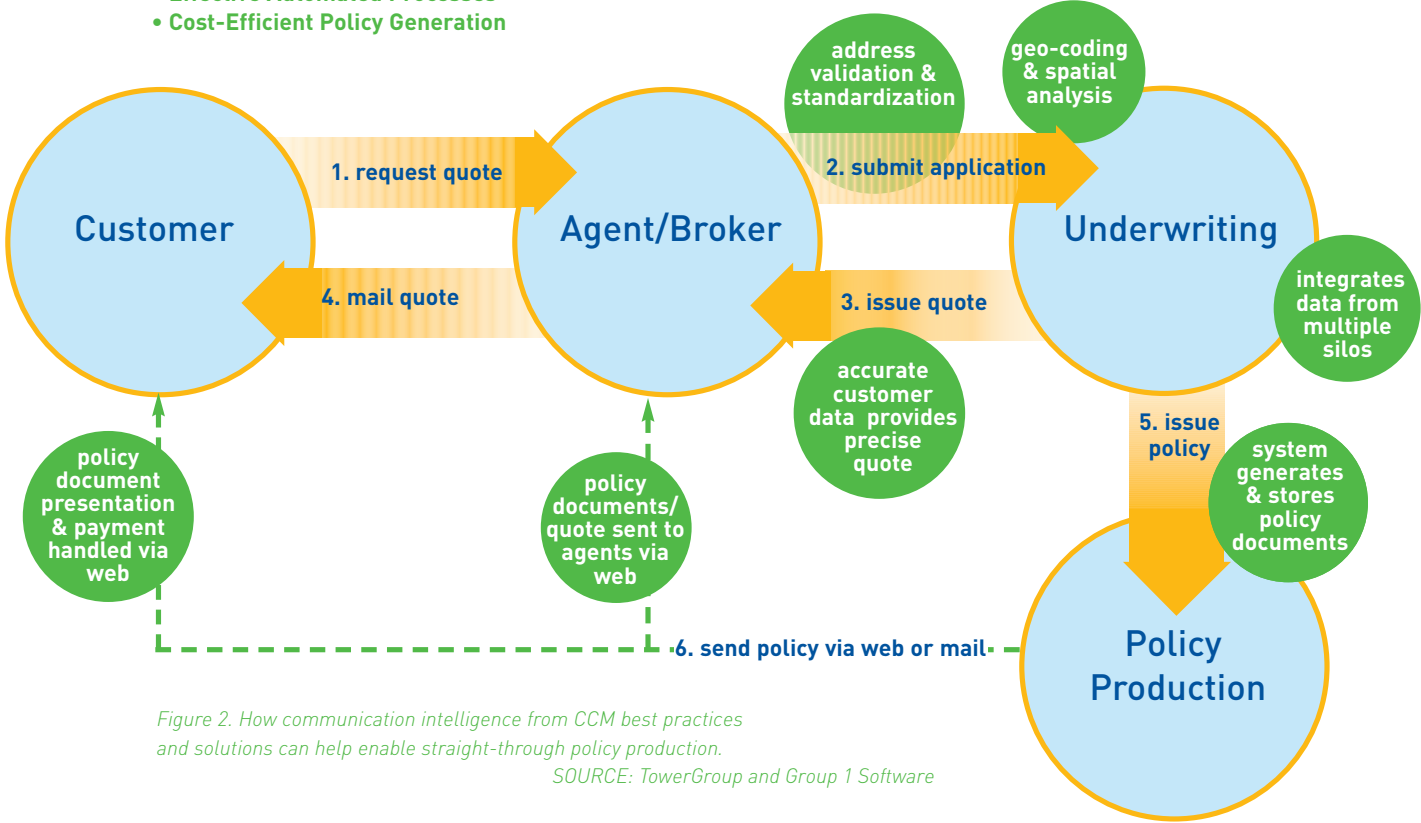


Figure 2. How communication intelligence from CCM best practices and solutions can help enable straight-through policy production.
 SOURCE: TowerGroup and Group 1 Software



Addressing Urgent Needs for Insurers

Automating policy production – and underwriting processes as a whole – represents a critical step as carriers face mounting pressure to move faster and more efficiently in their underwriting operations to capture new revenue, and improve profitability, operational efficiency and customer satisfaction.

Indeed, *The Economist* reports that Lloyd's has placed the highest priorities of its 2007 process reform initiative on the electronic processing of all claims, the streamlining of policy production and the updating of accounting and settlement systems.²

In an era of higher costs, consumer empowerment and policyholder churn, insurance carriers must be more swift and responsive to customers, improve data accuracy and integrity, drive unnecessary costs and manual activities out of policy production processes, and present clear, straightforward and understandable information to customers in the form they require.

Communication intelligence comes from harnessing the power of customer communication management (CCM). This can have a profoundly positive impact on process reforms such as straight-through policy production. It can enhance the overall customer experience and strengthen branding, customer loyalty and retention efforts. And it can improve carriers' top and bottom lines. Communication intelligence and CCM optimize the flow of the mailstream: the documents (electronic and physical) and packages that flow within and between carriers and policyholders every day.

Group 1 Software, Inc. provides end-to-end technology, design and process solutions for best-in-class policy production and underwriting automation for insurance carriers. We can tell you more about what your organization needs to do to align customer communication with your overall goal of improving policyholder relationships. To find out more, contact Group 1 Software at 1-888-413-6763 or visit www.g1.com



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² "The Rip Van Winkle of Risk," *The Economist*, January 4, 2007