



By Tammy McInturff Appel

Innovation in Action

Learn how collaboration technologies are likely to influence the future of insurance operations and products.

Insurers are continuing to accelerate the adoption curve of many innovative next-generation technologies. One of these next-generation technologies, collaboration, is having significant impact on insurance organizations – both internally and externally. Collaboration can entail a number of different activities ranging from using a Web 2.0 feature such as chat and document collaboration, to ideation and crowdsourcing. Highly visible examples of collaboration are evident in the direct impact that collaboration is having on the experience between agents and underwriters and in the area of claims capabilities.

At the ACORD LOMA Systems Forum, Karen Furtado, partner, Strategy Meets Action and Mark Breeding, partner, Strategy Meets Action, discussed the concepts of ideation and crowdsourcing and shared Strategy Meets Action's recent research in this area. The analysts also discussed how collaboration technologies are likely to influence the future of insurance operations and products.

About SMA

Strategy Meets Action (SMA) delivers the insights, information, and perspectives that insurers need to bring clarity to decisions and priorities around IT investments, and to help IT solution providers build offerings and shape their market messages to align to the needs of the industry. SMA's seasoned analysts help the insurance industry advance to the next level of maturity in its use of technology—to facilitate the right link between business requirements and solutions.

Being Innovative

Today every company wants to be innovative but most don't even know where to begin. Innovation has become an overused word. "The word innovation is being substituted for change," Furtado said. "Real innovation is about taking our blinders off and seeing the real opportunities that are there before us."

What do we consider innovation? Are we talking about the latest and greatest technology? Are we talking about creating a new way of thinking? What is the dynamic change in the world of innovation? How does innovation impact roles? How can innovation impact products, services and processes? "Innovation is about an idea," Furtado said. "It is how we rethink, reinvent, reimagine and retool. Innovation doesn't have to be big and bold. It can actually be very small but impactful."

When trying to be innovative or simply improve systems most companies come up against the same challenge, resistance to change. Furtado said how adaptable companies are in dealing with change and innovation can actually help give you some ideas of how to rethink business transformation. "Think about the partner aspect of it. When it comes to innovation we tend to focus more on the technology aspect of it," she said. "Technology is only fifty percent, the other fifty percent is people and their ability to open their minds and see some innovation in action. How do we take those blinders off to this idea? It has to be transformational. It should transform

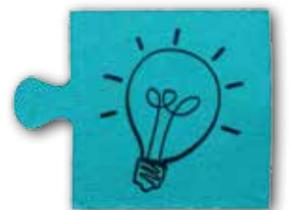
either a customer or an employee experience and/or give you some type of game changing results. It is all about opening our eyes to what the possibilities are. I think that is the biggest challenge to innovation."

Furtado asked the attendees to take a moment and look around the room for the color red. Then she asked the attendees to close their eyes and think about everywhere they saw the color green. Furtado said that around eighty percent of the group didn't see green, only red because she had told them to look for red. "This happens every single day," she concluded. "We are really operational. We go to do the task and we get our blinders on. And we miss the opportunities that are right in front of us. It is not because we are purposefully trying to do it. It is just what naturally happens. Those that can broaden their perspective when they go to do a task or project are the ones that are coming up with the innovative ideas. If you just send people out and say, 'go look for innovation in our company,' they are not likely to find it. However, if you say, 'go look for innovation and here is what it sort of looks like, here is the perimeter,' you are much more likely to get the ideas that you are looking for."

Examples of innovation are all around us. Furtado used the example of the transformation that has taken place in the music industry. "The music industry has gone from the phonograph, to the radio, to cassette players, to CD players to iPods and now Pandora," she said. "When we went from the phonograph to the radio we could play music anywhere. We didn't have to stay in a physical space where we saw the music. The next level of thinking was to retool so we actually came out with CD players where we could take our personalized music with us. Then iPods came along and we no longer needed to bring the physical music with us, all we needed was the device that had access to music anytime, anywhere. This transformation has all taken place within the last 30 years. If you look at any one time that you lived in that existed state you would never realize that the next state was actually possible."

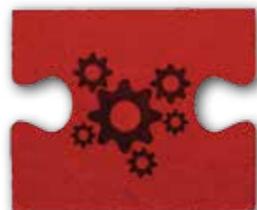
Furtado also gave the example of innovation in suitcases. It is hard to remember when suitcases didn't have wheels. Furtado reminded attendees that forty years ago people were carrying their suitcases through airports. Then someone came up with the idea of a rolling contraption to place the suitcase on but that left travelers having to carry a second device. Then someone thought of putting wheels on the suitcase. This simple innovation had a dramatic impact on how we travel.

"Real innovation is about taking our blinders off and seeing the opportunities that are there before us." KAREN FURTADO, PARTNER, SMA



“Harnessing technology and people is going to bring new power to companies.”

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Applying Innovation to Insurance

Furtado said that when you start a task or project, consider what the goal of that project really is. SMA uses a matrix to gauge where the project will be; on the horizontal axis is competitive positioning and the vertical axis is how operational the project will be. “Think about where you want to be relative to the competition for the project that you are working on,” Furtado said. “For the operational axis look at how operationally excellent you need the project to be. No one often is choosing to be a laggard but often times if you profile your project you will see that they do wind up in the laggard category.”

Not every project has to be a market leading project but it is important to know when it does and when it doesn't have those capabilities. Furtado said that projects can fall into several categories—modernize, optimize, and real innovation and differentiation. She said that many times she sees insurers projects fall into the “replace-plus” category instead of achieving real innovation. “Insurers take the approach that they need a new solution to do X. Then they say, here is what our current solution does and they write that down and here are the five things that it doesn't do and that is the new project.” Furtado said when you approach projects in this manner you never push beyond that current state. “It almost pushes us back a bit,” she added. “It is not that all projects have to be in the mover category. Of course all projects don't have to be innovative but if you look at the core competency of your company and your company's culture there are projects that you will need to be very innovative about. There are projects where you will need to push the envelope and also projects that are just to keep the lights on.”

“For example if you are replacing a core system does it have to be exceptionally innovative,” Furtado added. “Is this where you are looking for your differentiation? Or is it more in the distribution and underwriting capabilities? And does it have those kinds of capabilities that are really going to push you forward? Any project can be profiled this way and you will find that you have a wide variety of projects as they get mapped out into the maturity matrix. Projects that align to real competitive differentiation are going to have to push the envelope and really look for new capabilities. When we look for innovation they've got to not only make you a market leader in that particular space but they should help you really be operationally excellent.”

Top Insurer Imperatives

“Today we are all being impacted by next-generation technologies,” Furtado said.

She discussed the top imperatives that SMA is seeing insurers undertaking today as they try to innovate for advantage. She identified these imperatives as: transforming the customer experience, evolving rating with product configuration capabilities, committing to dynamic distribution capabilities, taking underwriting differentiation to the next level, extending analytics across the enterprise, optimizing claims beyond the transaction, accelerating paper to digital transformation, and redefining the impact of core.

Insurer Priorities

Innovation is starting to come into the plans and priorities of insurers today. SMA looked at the ten business applications that are high priorities for insurers as well as the technologies and tools that they are looking at. SMA identified the top ten business applications as, new business/underwriting, policy administration systems, agent/broker portal, insured self service portal, claims administration systems, billing systems, rating engine, product development/management, agent upload/download and financial/GL.

For technologies and tools, SMA identified the top ten insurer priorities as, business intelligence, MDM\data warehouse, mobility applications, predictive analytics, user experience platform, business process management, workflow systems, big data, customer relationship management, and contact center/telephony.

“New business and underwriting is clearly a hyper-competitive market,” Furtado said. “Insurers understand that there needs to be some level of differentiation in the products that we have on the market and how we underwrite those products in the market, which is really driving a big change in the way underwriting actually takes place.”

Collaboration in Use

“The world of collaboration is dynamically changing,” said Furtado. How is collaboration being used in insurance companies? Furtado offered a few key statistics. “The top area that insurers are using collaboration technologies for is internal operational efficiencies,” she said. “How can we better interact with each other? We have to have better tools to interact and interrelate with each other because everyone isn't in the home office anymore. Clearly internal operational efficiencies are really key. Customer service is another area where collaboration is being used. Right now the focus is on

chatting. Another area of collaboration focus is in providing a better experience both internally with agents and brokers and externally with customers.”

Insurers are starting to understand the need for and the power of collaboration. “Thirty-nine percent of insurers are using collaboration for development and adoption of innovative thinking,” Furtado said. “Thirty percent are using it for growth and profitability, 19% for creative input to strategic planning and 14% for development of game changing ideas.”

Innovative Thinking

Furtado discussed three main categories of collaboration and innovative thinking—real-time interaction, asynchronous content collaboration and ideation and crowdsourcing.

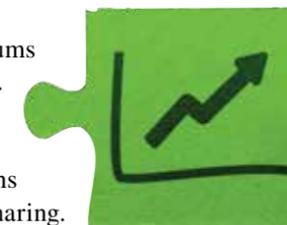
“Real-time interaction is an area that we are seeing a bigger footprint for insurer spending today,” she said. “Real-time interaction includes video conference, remote screen sharing, chat and instant messaging and real time collaboration with knowledge management systems. Sixty-five percent of insurers are already using video conferencing and 19% are piloting or evaluating it.”

“The next area we are moving to is asynchronous content collaboration,” Furtado said. “This area of collaboration technologies includes document sharing, wikis and forums and collaboration document creation tools. These types of collaboration tools can allow employees to collaborate during the creation of the document, make modifications together and eliminate the need for binder sharing. Some insurers are investing in these technologies.” Fifty-two percent have document sharing technology and another 35% are piloting or evaluating it, according to SMA's research. Also, thirty-four percent of insurers are using wikis or forums and 25% are piloting or evaluating it.

Ideation and crowdsourcing are not seeing significant insurer investment yet, according to Furtado. SMA's research shows that only 16% of the insurers they surveyed are investing in ideation, however 33% of respondents indicated that they are piloting or evaluating it. Only 9% of respondents indicated they are investing in crowdsourcing, but 29% said they were evaluating or piloting it. “Today, ideation and crowdsourcing goes well beyond the suggestion box, which was our old idea of ideation,” Furtado said. “We had a suggestion box, someone would put an idea in it and a group of people would meet to try and figure out what in the world that one person meant. We have moved beyond that.”

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MARK BREADING,
PARTNER, SMA



Crowdsourcing is a relatively new concept for the insurance industry. “Crowdsourcing is basically a way to exchange ideas and innovate and collaborate on ideas in a much larger group than just a small department meeting,” Furtado said. “Crowdsourcing allows a large group of people, possibly three or four thousand, all from different areas of the company and different levels to really mobilize around a particular concept or idea. Companies who are engaging in crowdsourcing activities are really the ones who are coming up with the extremely innovative ideas. A lot of the top insurers are already using this technology today.”

Next-Generation Technologies

“Harnessing technology and people is really going to bring new power to companies,” Furtado said. SMA identified the next generation technologies for 2013 as mobile maturity, social media, analytics and Big Data, collaboration expansion, cloud computing and telematics.

Today there are a number of ways that insurers are promoting idea generation and innovation in insurance through education, individual and team empowerment, and recognition programs. Many insurers are striving to have a supportive culture for new thinking and taking risks. Some insurers are learning from other industries or are using external consultants to facilitate innovation but a very small percentage, only 7% are promoting crowdsourcing. Furtado said that is likely to change in the coming years.

“Today people don't even understand the power of crowdsourcing,” she said. “Imagine if you were engaging your agents, imagine if the power you had for idea generation was engaged with the agents what they could come up with. We think we know how to engage the agent, but if we were actually collaborating with them it would be amazing what we would find would motivate that agent much different than how they are motivated today.”

Distribution

“Innovation is really about human ingenuity and human ingenuity is unleashed through collaboration,” said Breeding. “There are a lot of different ways to enable people to work together and generate ideas.”

Distribution is one area where collaboration is paramount. “You've got the whole set of distribution channel partners communicating with underwriters, communicating with the customers and there is this ongoing conversation,” Breeding said. “So how do we collaborate to improve that process and create some innovation? We did a survey around distribution and asked, ‘what is really the order of priorities for your business capabilities?’ We found that ease of doing business was the number one priority then efficiency, effectiveness, collaboration and visibility. Nobody would probably be sur-

prised by those but notice that collaboration is in the top five priorities. I would argue that the top three priorities—ease of doing business, efficiency and effectiveness are greatly enabled by collaboration.”

“When it comes to straight through processing, the goal for every line of business is to try to increase the amount of business we can bring in through the distribution channel,” Breeding added. “You want to get to the level of straight through processing that makes sense for a given line of business. You want to go as far as you can but then everything you can’t do in that mode because of the complexity of the business you want to ramp up your collaboration.”

SMA’s research looked at the top connectivity capabilities that insurers should provide to agencies, brokers and/or MGA firms. “If we talk about personal lines products—home owners, auto insurance, we want our processing percentages to be as high as possible and to automate that as much as possible,” Breeding said. “So for these there is less of a role of collaboration between all of the parties and more focus on efficiency and getting the app into the system. The focus for these product lines is on having the data to be keyed once and support comparative rates/aggregators, etc. As we start getting a little more complex in the small commercial lines area suddenly you see that collaboration becomes more important. When you look at mid market commercial lines, collaboration is the number one capability that insurers said they need to create connectivity in this space.”

SMA also looked at the current and planned technology capabilities for agent/insurer connectivity. Their survey found that 44% of insurers are already using collaboration and or workflow technologies and 41% are evaluating or piloting it.

Social Business

Insurers today have social media initiatives, mobile projects, data and analytics projects, etc. “We need to rethink our digital platform to unify these capabilities and do it around the business processes,” said Breeding. “You don’t want to have mobile for the sake of mobile or social media because we need to have a Facebook presence.

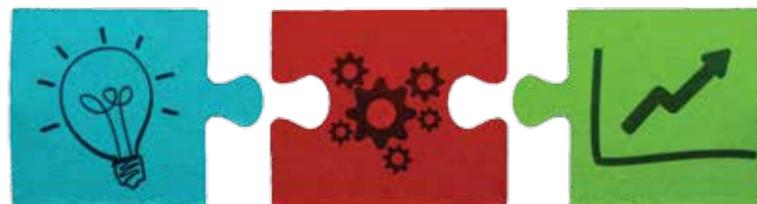
It is thinking about each and every business process across the value chain and taking a look at how you can conjoin these different technologies and capabilities to augment, rethink or even reengineer the whole way that business is done.”

Social business really is about harnessing knowledge and information. Breeding advised attendees to not get so caught up in trying to unlock the data and information in our companies systems that we forget about the enormous amount of information that is sitting inside of our employees minds. “We can’t forget about the uncodified, undigitized information that is inside of people’s minds,” he said. “As we are introducing these collaboration technologies we are providing new ways for us to extract that information and share it so that we can perform analytics on it. We can get it involved in a workflow process.”

Call to Action

“Insurers really need to consider how to actively promote innovation,” said Breeding. “It is not just going to happen. You also need to think about some of these next generation technologies and how to put them in place to enable people to innovate. Determine how you can best capitalize on collaboration technologies. You need to adopt the concept of social business, bringing together all of these next generation technologies—not for the sake of technologies but for the sake of rethinking how you do every single part of the business.”

We use the word innovative so much today that it has lost or watered down its meaning and become synonymous with the word change. Think about what it really means to be innovative. Simply buying a new technology isn’t going to make you innovative. Harness the power of your company, the employees, who may have a different approach or new idea. ♦



“Insurers need to consider how to actively promote innovation.”

MARK BREEDING, PARTNER, SMA

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