



STRATEGY MEETS ACTION

## THE POWER OF INTEGRATED CONTENT AND PROCESS MANAGEMENT

*Vital for Insurers in the Digital Era*

### **SMA White Paper**

**Author: Mark Breeding, SMA Partner**

**Publication Date: June, 2016**

*This white paper is based on SMA's ongoing research on document and content management, and workflow solutions in insurance. Hyland has purchased distribution rights.*

## TABLE OF CONTENTS

### About This White Paper

This white paper is based on SMA's experience, research, and insights.

Hyland has purchased the distribution rights to this research and white paper. This is not paid-for research.

<b><u>Managing Information Content in Insurance</u></b>	<b>3</b>
<i>Unique Characteristics Shape the Insurance Industry</i>	
<i>The Management of Information is Vital to Insurers</i>	
<b><u>The Evolution of Enterprise Content Management Systems</u></b>	<b>4</b>
<i>The Three Phases of ECM Systems</i>	
<i>Integration Scenarios</i>	
<b><u>The Business Value of Modern ECM Solutions</u></b>	<b>8</b>
<i>Enhancing the Agent/Customer Experience</i>	
<i>Enabling Collaboration</i>	
<i>Accelerating Speed-to-Market</i>	
<i>Improving Profitability</i>	
<b><u>SMA Call to Action</u></b>	<b>10</b>
<i>Building a Roadmap for Success</i>	
<i>Achieving Successful Integration and Implementation</i>	
<b><u>About Strategy Meets Action</u></b>	<b>11</b>



*Insurers must have modern systems that are able to capture and manage both structured and unstructured information in a way that optimizes operational costs, presents accurate and timely information to customers, and provides regulators and investors with the information they need to make good decisions.*

## MANAGING INFORMATION CONTENT IN INSURANCE

### ***Unique Characteristics Shape the Insurance Industry***

The insurance industry exhibits characteristics that set it apart from all other industries. The very nature of the product, the industry's contribution to society, the vast ecosystem of business partners, the way that information is used – all of these factors set the insurance industry apart from the others. These characteristics fuel the industry's complexity, but at the same time they contribute to the industry's value – a value that is not always realized until much later. Extensive partner networks are formed to help build, sell, and service insurance products, and many of the partners that insurers engage have a client-facing role to play. They are frequently in a position to represent the insurer at times when customers are highly emotional or sensitive due to difficult life events. When it comes to information, insurers are exceptional in the extensive variety of data they collect and analyze that is used to understand customers, create products, assess risks, and service customers. Insurers have always collected large amounts of data from customers and other sources to support individual transactions. Now, in the digital era, the sources, types, and volumes of data are increasing exponentially, creating both new opportunities and new challenges for insurers.

### ***The Management of Information is Vital to Insurers***

Insurers live and die by information. The product (the insurance policy) is information-based. Insurers use data on perils and losses that have been collected for decades. Increasingly, insurers are also collecting information in real time from connected vehicles, homes, machines, wearable devices, and more. A great deal of insurance information is stored as structured data in traditional databases. However, just as much, if not more unstructured data is stored in content repositories. These repositories contain items such as images of policy documents, signed illustrations, bills, medical records, and more. They hold pictures of vehicles, buildings, personal property, business machinery and all manner of insured items. Voice recordings of customer service requests, adjuster notes, and claimant statements are also contained in the repositories. Voluminous amounts of e-mails, chat sessions, videos, and other communications are stored along with a myriad of internal reports and analyses from all parts of the business.

This information supports internal operations and customer transactions, as well as financial and regulatory reporting. Hence, insurers must carefully manage all of this information, regardless of type or format. To do so effectively, insurers must have modern systems that are able to capture and manage both structured and unstructured information in a way that optimizes operational costs, presents accurate and timely information to customers, and provides regulators and investors with the information they need to make wise decisions.

Because all of this varied information plays such a vital role in the business of insurance, insurers have been using technology-based solutions for many years to continually improve their information management capabilities. The systems that capture, route, store, and manage information have become just as important as the information itself. In recent years, these systems have evolved considerably to provide an even higher level of value, and insurers utilizing state-of-the-art information management capabilities have a clear edge on their competitors.

## THE EVOLUTION OF ENTERPRISE CONTENT MANAGEMENT SYSTEMS

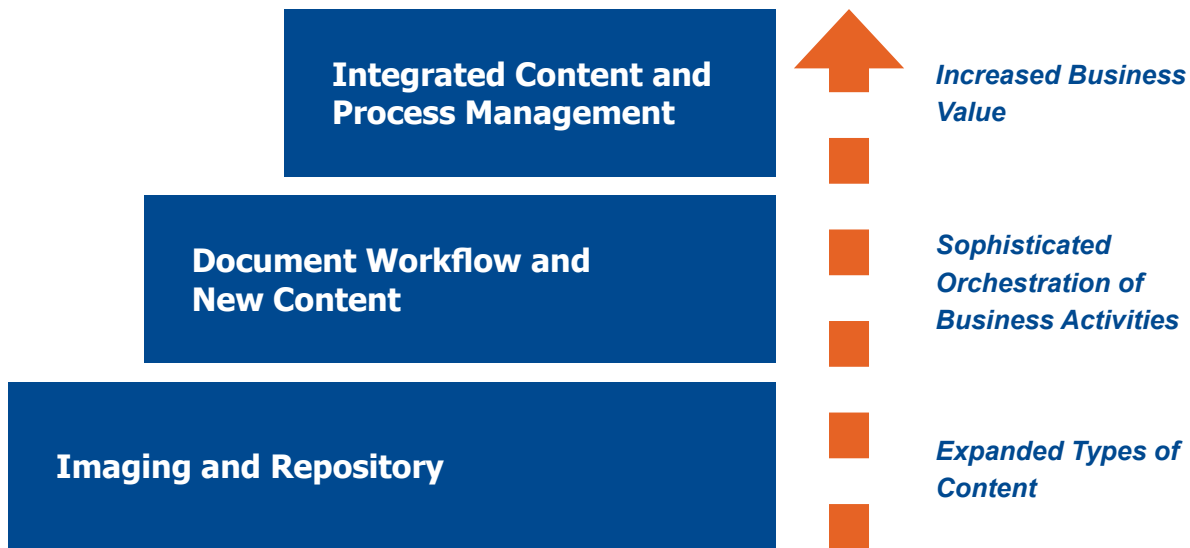
Since the early 1990s, IT solution providers have developed and enhanced hardware and software systems to assist insurers in managing information more efficiently and effectively. As a result, individual insurers are at various stages in the evolution of enterprise content management (ECM) capabilities. For many, the degree of progress depends on when they installed their initial systems, and to what extent they have upgraded and integrated their systems over the years.

Insurers that continue to use older versions of ECM systems often find it challenging to address today's requirements for managing increasingly large amounts and varieties of data. In too many situations, older ECM systems are challenged when it comes to tight integration with insurers' core systems for distribution, underwriting, policy servicing, billing, and claims.

### The Three Phases of ECM Systems

The capabilities of ECM systems have evolved through the three phases depicted in Figure 1.

Figure 1. The Evolution of ECM Systems



Source: Strategy Meets Action, 2016

#### Imaging and Repository

Initially, systems were introduced that enabled insurers to capture documents as images and store them in a central repository. These systems provided rudimentary capabilities to capture, index, view, and route document images. Archive, search, and document retention capabilities were other functions that were commonly provided in the first systems. The earliest systems focused primarily on document images and were usually called "imaging systems", not enterprise content management systems. Many insurers implemented these systems and found them to be of great value in reducing paper and its necessary storage space, reducing costs, and improving the efficiency of employees who worked with documents every day.

In the beginning, these systems depended on expensive hardware for image capture. Implementations tended to be complex and highly customized. For this reason, it was primarily large insurers that undertook the effort. Over time, the hardware for image capture became more affordable and the software became more standardized, enabling smaller insurers to benefit from imaging systems as well. Today, the capture hardware is widely available at a relatively low cost, although many larger insurers still require more sophisticated, high-end machines to handle the volume and variety of documents, letters, checks, and other papers that flow into their enterprise.

*As insurers worked to more fully leverage ECM systems by integrating document images, voice recordings, and other content with their transaction systems, it became apparent that more sophisticated workflow and business process management (BPM) capabilities were required.*

### **Document Workflow and New Content**

By the time Y2K rolled around, IT solution providers offering imaging solutions had added more advanced document workflow capabilities and expanded the types of content they could effectively manage. Repositories could store e-mails, voice recordings, video, and other types of unstructured content. Insurers also began to expand the scope of their implementations beyond a single departmental area or business unit. It was this expansion in scope that resulted in the coining of the term "Enterprise Content Management" by the Association for Information and Image Management (AIIM) in 2000.

During this same timeframe, systems integrators, value-added resellers, and insurers became more experienced with designing and building insurance-specific systems around generic ECM capabilities. Rather than the rudimentary capture-view-store-archive paradigm, the digitized information was being intelligently routed to the appropriate insurance professionals and staff to support their normal workflow activities in new business/underwriting, policy servicing, and claims.

### **Integrated Content and Process Management**

As insurers worked to more fully leverage ECM systems by integrating document images, voice recordings, and other content with their transaction systems, it became apparent that more sophisticated workflow and business process management (BPM) capabilities were required. In addition, it was necessary to more closely integrate

the capabilities for managing processes and managing content. In many cases, the underwriter, customer service representative, or claims adjuster had to use two or more separate systems – for processing and recording the transaction, and for providing the supporting information needed by the insurance professional for making decisions about the next step in the process.

Today, modern ECM systems provide the capabilities to design and manage processes and related content in conjunction with the underlying core systems for underwriting, policy, and claims. Modern ECM solutions are flexible enough to manage and leverage many sources of data and support insurers' plans to respond to customers faster and with more personalized information.

## Integration Scenarios

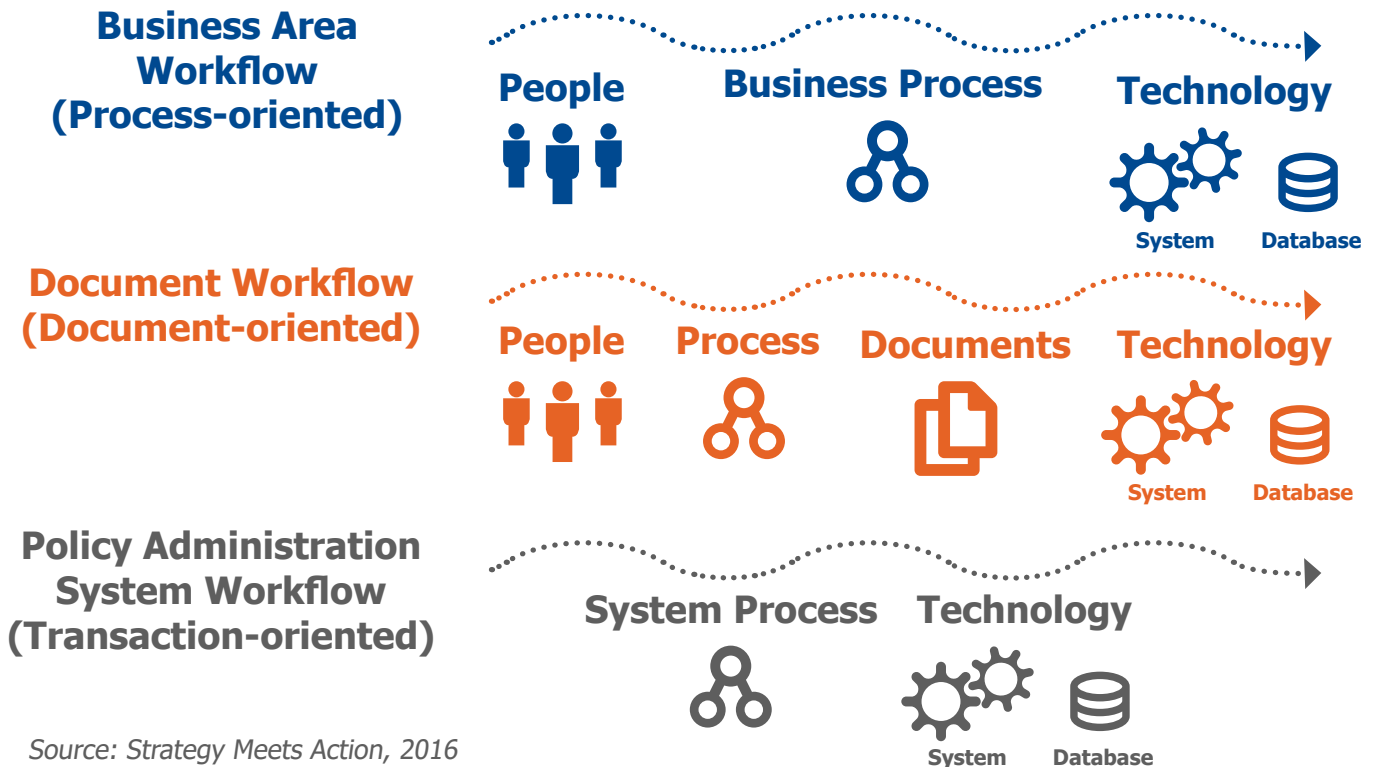
The integration of all the relevant information and systems is particularly challenging for insurers because of the way they have acquired and implemented information technology solutions over the years. Figure 2 (below) illustrates the traditional implementation approach used by most insurers. Many insurers have three different workflow streams that are separately managed: the business process, the document workflow, and the policy administration system workflow.

Business area workflows, such as underwriting or claims, are managed by process-oriented systems. These solutions manage the processes or tasks that skilled professionals use to do their daily jobs. The data that is captured in the process is then used to support the series of steps required to underwrite business or adjudicate a claim. These business systems help insurance professionals determine the next steps in the process, then route requests and information to the appropriate individuals – or send the work on for automated processing by the system.

Document workflows are managed by document-oriented systems – where the type and nature of the document captured determines where the document needs to be routed and what processes need to occur. Many of the early “legacy” imaging and ECM systems were designed around document workflow requirements. Often, because these systems were separate from other systems, artificial means were required to trigger activities and route documents (such as skeleton or phantom documents).

The policy administration system workflow is the third workflow that every insurer must manage. These are the core systems, with extensive interfaces and manual work-arounds to ensure that the status of the policy transaction is current. The workflows in policy administration systems are primarily designed for internal system processing. For example, the policy system may send a message internally within the system, but it does not route, track, or manage the “people” side of the process.

Figure 2. Traditional Transaction and Content Management

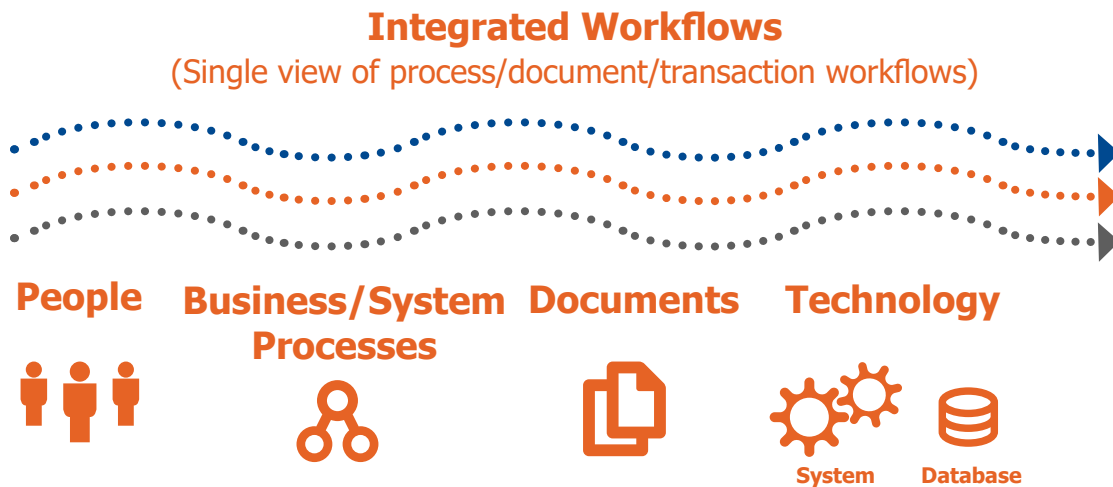


Source: Strategy Meets Action, 2016

Most insurers have implemented systems to support and enable all three types of workflows – processes, documents, and transactions. While these systems help insurers manage their business more effectively than in the past, there are still some challenges. Unfortunately, the employees of the insurance company do not think of their jobs in terms of multiple workflows. An underwriter typically has a standard set of tasks that must be done in roughly the same sequence every time. The data and the complexity of an individual case will result in different paths to the ultimate decision, but the set of tasks are well defined. The same is true for a claims adjuster. While every claim is different, an adjuster follows the same basic process each time. In many situations, the systems described in Figure 2 require skilled insurance professionals to log on to separate systems, and then toggle between them to do their job. All too often, the data must be reentered and specific actions must be triggered in a second system. Or the underwriter, customer service rep, or adjuster must “remember” to check the status in certain systems and make updates.

The development and implementation of IT systems in general have matured, making it now possible to deploy solutions that have a unified workflow like that shown in Figure 3. Modern ECM systems possess the tools that allow for the full integration of process, document, and transaction workflows. Ideally, the underwriter or other professional uses what appears to be a single system. In the background, there may still be calls and updates to the underlying systems, but the user interface supports the workflow needed for each individual user to function efficiently and effectively. The resulting advancement in transaction and content management seamlessly connects people, processes, documents, systems, and data.

Figure 3. Advanced Transaction and Content Management



Source: Strategy Meets Action, 2016

Understanding the history and evolution of ECM systems is important because it can help insurers understand what automated capabilities they have – or what they don’t have – and how they got to where they presently are. Unfortunately, many insurers continue to function with earlier implementations. These individual projects may have delivered business value and a good return on investment at the time of implementation, but they lack the integration that delivers optimal value over the long term. The need to continually innovate and compete demands that all insurers take stock of their systems to see how they measure up to the capabilities afforded with the most modern ECM systems. It is time to capitalize on the power that modern ECM systems can deliver and the central role they play in the digital era.

## THE BUSINESS VALUE OF MODERN ECM SOLUTIONS

Insurers that are striving to improve their business and deliver both top and bottom line growth should consider the role that modern ECM systems can play in achieving those goals. SMA has identified four key areas where enhanced, integrated content and process systems can have a major impact on results.

*Collaboration is the next phase of business improvement that many insurers are currently undertaking. Collaboration capabilities go beyond automating the transaction and improving operational efficiencies. Modern ECM systems can support new capabilities that recognize that business processes do not always consist of the same sequential tasks and the same information.*

### **Enhancing the Agent/Customer Experience**

Insurers are continually seeking new ways to enhance the agent and customer experience. Customer expectations are now a top driver of business strategy, and almost all insurers have a strategic initiative to focus on customer experience and engagement. This experience is a key determinant in how much business the agent/producer will submit to the insurer, whether a customer will buy the insurance product, how long they will remain a customer, and whether they will acquire more products from the same company. For insurers that distribute their products through independent agents or advisors, the interaction experience of those intermediaries is just as important as the experience of the policyholder. When the insurer distributes via a direct model, the concern about the interaction experience is more centered on the policyholder.

Both customers and intermediaries interact with insurers in many different ways for product sales and servicing. The importance of individual customer preferences for communication cannot be overemphasized. The insurer must understand that there is value in recognizing and responding to individual preferences for paper or digital policies, bills, or other communications. Communication mode, style, and content are all key pieces in shaping perceptions. When a customer/agent requests a quote or a beneficiary change, the speed, accuracy, and completeness of the insurer's response is important. When a customer/agent receives an alert via smartphone for an upcoming premium payment or a warning about an impending weather event, they form an impression about the value the insurer is delivering. Every touchpoint contributes to the overall experience. And, the quality of every touchpoint is dependent on the ability of the insurer's systems to efficiently assemble the right content and enable the right individual (or automated system) to create the best response and deliver it in a timely manner.

### **Enabling Collaboration**

The effective completion of most insurance business processes relies on multiple individuals with specific expertise and roles. Agents and underwriters share information as part of the same process of acquiring customers. In the life insurance arena, producers also work with new business specialists as well as the underwriters. Multiple claims adjusters are involved in some claims, especially where specialized expertise is required, such as evaluating soft tissue injuries related to an automobile accident or forensics that are required to manage fire situations. There are many scenarios where insurer employees collaborate with the insurer's partners on behalf of policyholders. In the emerging connected world, insurers must participate in new ecosystems to serve customers, collaborating with other parties related to vehicle telematics, the connected home, and others.

Collaboration is the next phase of business improvement that many insurers are currently undertaking. Collaboration capabilities go beyond automating the transaction and improving operational efficiencies. Modern ECM systems



can support new capabilities that recognize that business processes do not always consist of the same sequential tasks and the same information. Flexible mechanisms are being designed into the systems that allow individuals to connect with others for information sharing, advice, and decision-making. Informal collaboration through e-mail, texting, and voice conversations can also be integrated with the core business processes so that all relevant information is easily accessible and reflected in the systems.

***Creating responsive, flexible, integrated systems that support insurance professionals increases the probability that agents and producers will send more business to the insurer. It also allows underwriters to improve risk selection, and supports rapid and fair customer service and claims resolution. Insurers that leverage modern ECM systems to support such capabilities are able to improve overall profitability.***

## **Accelerating Speed-to-Market**

Decreasing the time it takes to complete business processes is a high priority for insurers. The goal of speed-to-market is not just about introducing new products faster. Every aspect of the business that touches a customer is affected by the need for speed. Faster agent response, faster quotes, faster underwriting, and faster claims resolution are a few of the many areas where speed is becoming increasingly important. This never-ending quest to decrease timeframes is driven in part by a cost reduction focus. As processes are streamlined and tasks eliminated, the costs are naturally lower. However, the main reason for the focus on speed-to-market is to address customer expectations and win/retain more business. When agents and policyholders experience timely responses, they are more likely to want to do business with the insurer and will keep coming back. Conversely, when responses are delayed, they are more likely to turn to other insurers.

With today's competitive pressures, the ability to continually inject speed into every part of the business flow that touches customers is extremely important. Modern ECM systems that contain strong BPM capabilities are instrumental in enabling insurers to design new process flows that ensure that the right information is available at each step – keeping the flow smooth and timely.

## **Improving Profitability**

Improving the customer experience, enabling collaboration, and accelerating speed-to-market are all aimed at the same ultimate objective – improving profitability. Creating responsive, flexible, integrated systems that support insurance professionals increases the probability that agents and producers will send more business to the insurer. It also allows underwriters to improve risk selection, and supports rapid and fair customer service and claims resolution. Insurers that leverage modern ECM systems to support such capabilities are able to improve overall profitability.

*The case for enhancing business and technology capabilities through the use of modern ECM systems is clear. Insurers seeking to upgrade their ECM systems or move to a new ECM platform should begin by building a roadmap for success, then put key initiatives in place to achieve successful integration and implementation.*

## SMA CALL TO ACTION

The case for enhancing business and technology capabilities through the use of modern ECM systems is clear. Insurers seeking to upgrade their ECM systems or move to a new ECM platform should begin by building a roadmap for success, then put key initiatives in place to achieve successful integration and implementation.

### **Building a Roadmap for Success**

The key to building any roadmap is to understand where you are starting from and where you want to go. It is difficult to map out the route if you do not have a clear view of the desired end points! If the initiative is, for example, in the new business/under-writing area, make a thorough assessment of the current business processes and the supporting technology solutions. When was the last time a reengineering effort was attempted or completed in this area? What level of technology is installed? What phase of ECM progress has the company implemented – is it still at the imaging and repository phase, or have some automated workflow capabilities been added? What percentages of the documents, letters, and other information-supporting processes are currently being digitized and integrated with the core process?

Once the current status is defined and documented, the next step is to identify the desired end points. Is the goal a specific business objective, such as completing the quote-to-bind process in less than a day, or settling small claims without an adjuster visit? How might the expertise of underwriters, customer service reps, or claim adjusters be optimized? Where is their skill required most? What can be done to ensure they spend more of their time completing high value tasks? How advanced should the technology platform be – leading edge or fast follower? These questions can help establish the parameters for the roadmap.

Finally, assess the solutions and expertise available to determine which partner or partners are the best fit for your organization. Consider the current technology infrastructure, skills, and resources available in the company, as well as the industry-specific expertise required. Take a close look at ECM solution providers that have done the heavy lifting of integration with major core systems. There are good choices for modern ECM solutions in the marketplace, so this is not an area where insurers should take a custom-build approach.

### **Achieving Successful Integration and Implementation**

Spending the time to carefully develop the plan and the strategy is important. Successfully integrating all of the complex components and implementing upgraded capabilities is the most challenging part, but it will be far less complex if the strategy and plan are well defined up front. Fortunately, modern ECM systems are able to remove some of the manual steps in the implementation process such as mapping out process flows, writing custom application programming interfaces (APIs) to link to core systems, and retrieving the right documents to support the processes. Integration is rarely a simple task in the typical insurance technology environment, but choosing a partner with advanced ECM capabilities can provide a smoother path to your end goal.

## ABOUT STRATEGY MEETS ACTION

Strategy Meets Action (SMA) is dedicated to helping the business of insurance modernize, optimize, and innovate for competitive advantage. Exclusively serving the insurance industry, SMA blends unbiased research findings with expertise and experience to deliver business and technology insights, research, and advice to insurers and IT solution providers. By leveraging best practices from both the management consulting and research advisory disciplines, we take a unique approach – offering an unrivaled set of services, including retainers, research, consulting, events, and innovation offerings.

This SMA White Paper is a summary of SMA's ongoing research on enterprise content management in insurance. Hyland has purchased distribution rights for summary results of selected research and opinions.

Additional information on SMA can be found at [www.strategymeetsaction.com](http://www.strategymeetsaction.com).

Mark Breeding may be reached at [mbreeding@strategymeetsaction.com](mailto:mbreeding@strategymeetsaction.com).

For information about Hyland solutions for content and process management, visit [OnBase.com/insurance](http://OnBase.com/insurance) or [contactus@onbase.com](mailto:contactus@onbase.com).