Let's Build a
Smarter Planet:

Re-thinking the way Insurance works !

Paul Robinson
Insurance Industry Leader : Growth Markets – IBM Financial Services Sector

Let's build a smarter planet.

Our world is not only getting smaller and flatter

It's getting smarter

3 drivers of true change…

Inspirational Leadership

Crisis

"Transformational Force"

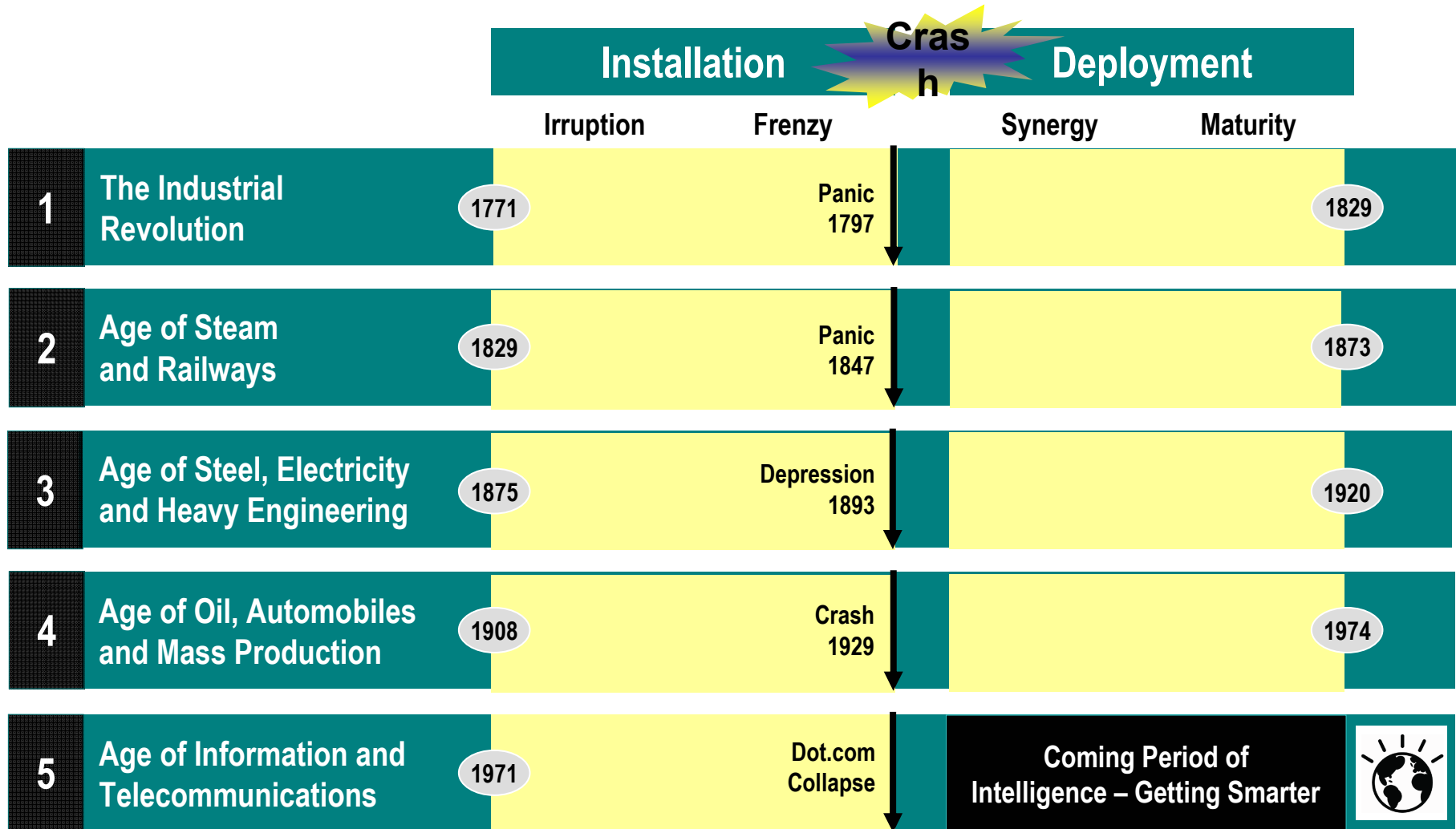# Global market forces are impacting us all

- Access to capital and credit crunch

- Economic downturn and future uncertainty

- Volatile oil prices and energy shortfalls

- Information explosion and risk/opportunity growth

- Globalization and emerging economies

- New customer demands and business models

The economy isn't the only force shaping the competitive landscape…

Transformational Forces

		Installation		Crash	Deployment	
		Irruption	Frenzy		Synergy	Maturity
1	**The Industrial Revolution**	1771	Panic 1797	↓		1829
2	**Age of Steam and Railways**	1829	Panic 1847	↓		1873
3	**Age of Steel, Electricity and Heavy Engineering**	1875	Depression 1893	↓		1920
4	**Age of Oil, Automobiles and Mass Production**	1908	Crash 1929	↓		1974
5	**Age of Information and Telecommunications**	1971	Dot.com Collapse	↓	**Coming Period of Intelligence – Getting Smarter**	

Source: Perez, C., "Technological Revolutions and Financial Capital", 2002

Something meaningful is happening…

*"Every human being, company, organization, city, nation, natural system and man-made system is becoming **interconnected, instrumented and intelligent.** This is leading to new savings and efficiency—but perhaps as important, new possibilities for progress."*

The world is flatter.

The world is smaller.

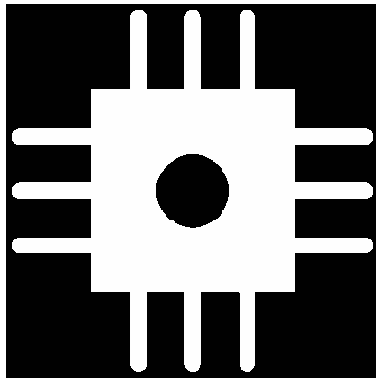The world is getting smarter.

Because it can.

Because it must.

Because we want it to.

6

INSTRUMENTED

We now have the ability to measure, sense and see the condition of everything.

- Today, there are 1 billion transistors for each person on the planet.[1]
- By 2010, 30 billion RFID tags will be embedded into our world and across entire ecosystems.[2]
- Nearly 85% of new automobiles will contain event data recorders by 2010.[3]

Instrumentation enables real-time monitoring of insured assets to accurately assess risk.

INTERCONNECTED

People, systems and objects communicate and interact with each other in new ways.
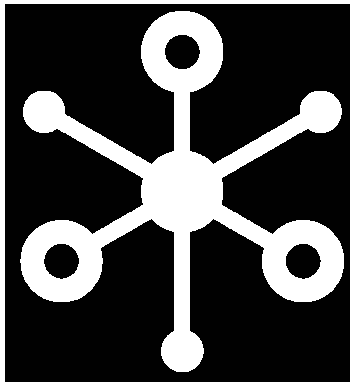
– The Internet of people is 1 billion strong. Almost one third of the world's population will be on the web by 2011.[4]
– More than 25% of all policyholders have shopped on-line for insurance in the past 12 months.[5]

– 40% of all auto and individual life insurance sales will occur on-line by 2011.[6]

Data from customers, providers and regulators can be integrated and shared instantly.
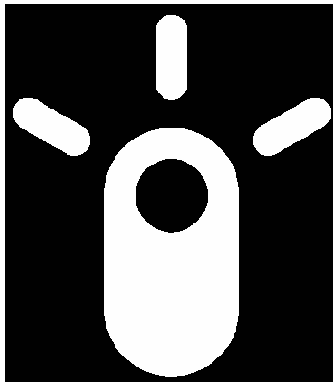
INTELLIGENT

We can predict changes quickly and improve results by optimizing for future events.

– The U.S. Geological Survey can now provide real-time information about flood conditions for more than 1.5 million sites across the U.S., Puerto Rico and Guam.[7]

– 43% of P&C insurers and 20% of L&A insurers listed business intelligence as one of their top three areas of investment for 2009.[8]

– "The ability to capture and use data for product and pricing differentiation will have the greatest potential to help our industry", Al Meyer with American Family.[9]

Master data management enables in-depth analysis and anticipation of customer needs.

For us to make sense of this new world, we must consider four critical questions

"Data is exploding and it's in silos"

"New business & process demands"

"My infrastructure is inflexible and costly"

"Our resources are limited"

I need insight

How can we take advantage of the wealth of information available in real-time from a multitude of sources to make more intelligent choices?

New Intelligence

I need to work smart

How can we work smarter supported by flexible and dynamic processes modeled for the new way people buy, live & work?

Smart Work

I need to respond quickly

How do we create an infrastructure that drives down cost, is intelligent and secure, and is just as dynamic as today's business climate?

Dynamic Infrastructure

I need efficiency

How do we drive greater efficiencies, compete more effectively, and respond more quickly by taking action now on energy, the environment, and sustainability?

Green & Beyond

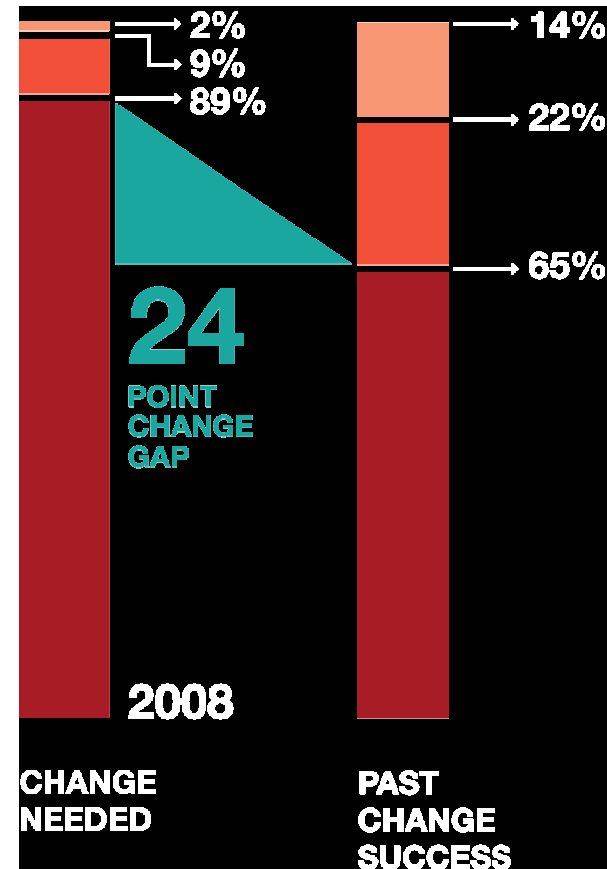# Insurance CEOs are focused on change

9 in 10

Insurance CEOs anticipate turbulent change and bold moves.

24 points

Gap between insurance CEOs who recognize need for change and those with successful records of implementing change.

Source: 2008 IBM CEO Study

# Insurance realities: The need for progress

$8 billion

Spent annually by global P&C carriers on claims systems integration and process automation— equivalent to 25% of carriers' external IT budget.[10]

76%

Percent of insurance customers who are willing to pay for higher levels of trust, greater access and exchange of information, and more personalized products to meet their individual needs.[11]

$65 billion

Value of insured losses from Hurricanes Katrina, Rita and Wilma. Some commercial underwriters underestimated losses by as much as a factor of 10 or more because they lacked the ability to accurately measure and monitor their risk.[12]
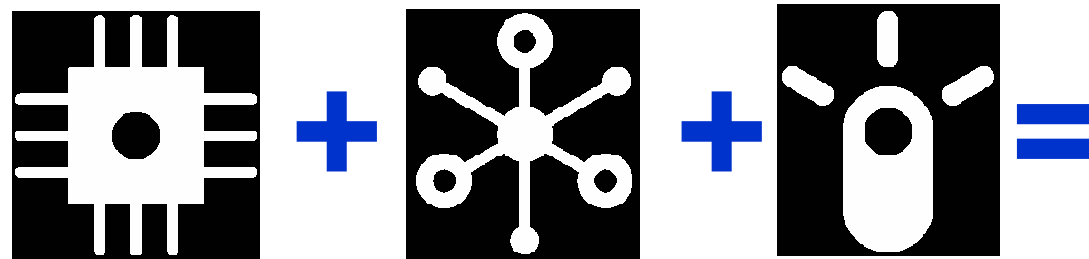
An opportunity for insurers
to think and act in new ways

Leveraged Information

Unified enterprise data drives new customer experience models

Streamlined Operations

Radical core insurance rationalization reduces expense and improves market reach

Dynamic Enterprise

Products and processes adapt intelligently to changing market and risk conditions

Green Infrastructure

Conservation principles minimize enterprise footprint and optimize capital

Smart Insurance:
Leveraged Information

SMART IS

Analyzing integrated customer information and behavior in real-time for deeper client insights, increased revenue and improved customer satisfaction

Leading Canadian Insurer: Is implementing master data management to proactively identify customer events and respond in real time, alert other applications of the detected events and provide the ability to complete in-depth analysis and anticipate customer needs.

SMART IS

Making customer data available enterprise-wide (with appropriate safeguards) to meet customers wherever they interact with the insurer or its distributors

Major Chinese Insurance Group: Created an enterprise data asset to enable accurate and real-time sharing of information across 5,000 branches and more than 200,000 employees and agents, resulting in improved decision-making and more accurate pricing and underwriting of individual policies.

The rate of expansion of Information is accelerating at an unprecedented rate

Data and information is the Insurance industries precious commodity…few are using it to their complete advantage

Volume of Digital Data

By 2010, the codified information base of the world is expected to double every 11 hours. Data is exploding and the nature of data is changing to machine-generated data – sensors, RFID, meters & GPS systems.

Variety of Information

With the expansion of information comes large variances in the complexion of the available data – very noisy with lots of errors & no time to cleanse in a world of real time decision making.
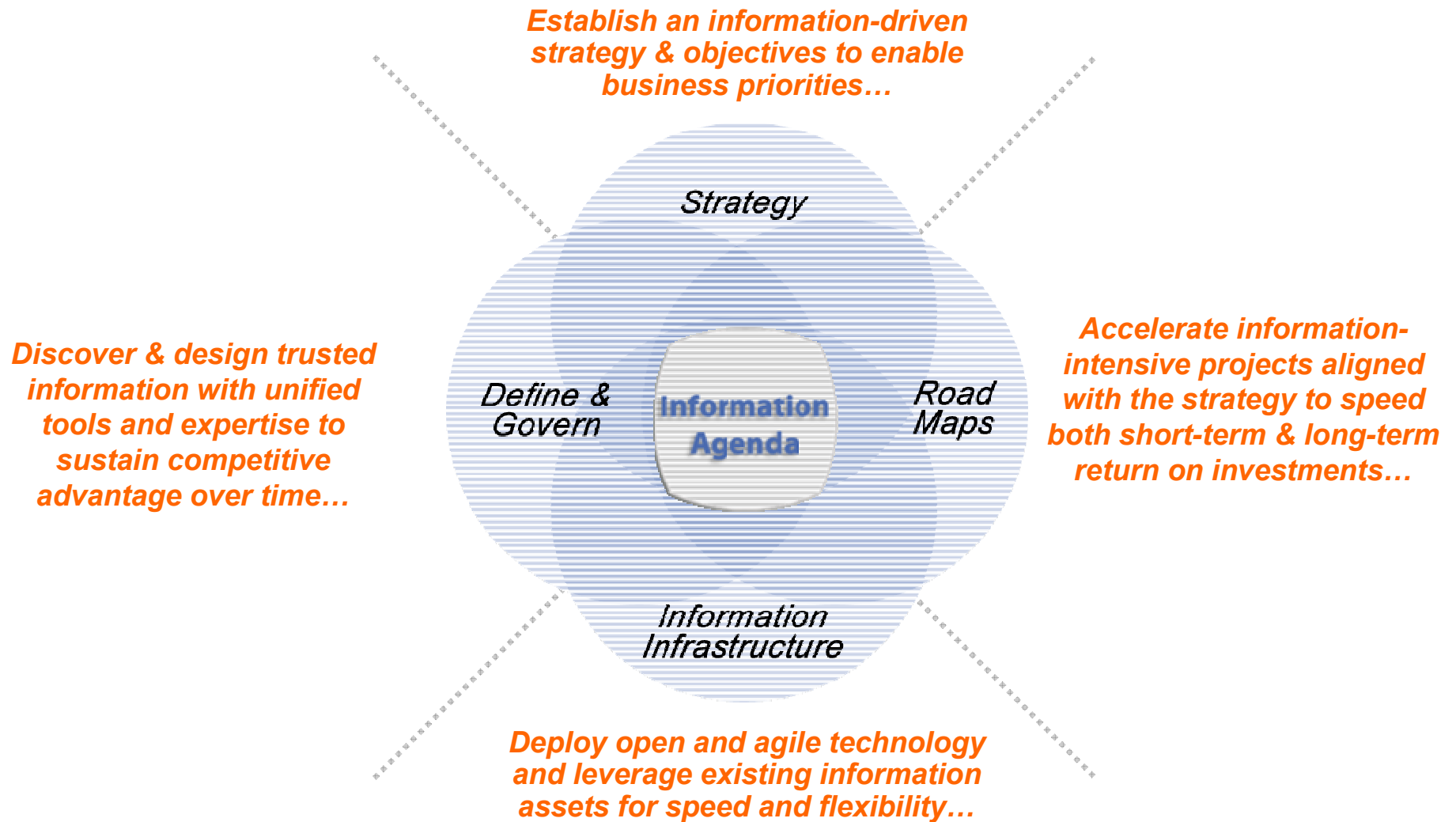
Velocity of Decision Making

The market demands that businesses optimize decisions, take action based on good information & utilize advanced predictive capabilities – all with speed and efficiency.

Shift in WHAT we Analyze

Enterprises need a broader, systems-based approach to what they examine and optimize. Stream computing & event processing capabilities are enabling the analysis of extreme volumes.

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Having an Information Agenda is the key to becoming "Smarter"

Establish an information-driven strategy & objectives to enable business priorities…

Discover & design trusted information with unified tools and expertise to sustain competitive advantage over time…

Strategy

Define & Govern

Information Agenda

Road Maps

Information Infrastructure

Accelerate information-intensive projects aligned with the strategy to speed both short-term & long-term return on investments…

Deploy open and agile technology and leverage existing information assets for speed and flexibility…

Smart Insurance:
Streamlined Operations

SMART IS
Automating business processes to improve efficiency for simple transactions and effectiveness in complex situations

Major German Insurer: Is fully automating up to 70% of claims processing tasks that previously required human intervention. They also established a Center of Excellence to ensure project savings of $50 million and successful implementation of their SOA strategy.

SMART IS
Reducing reliance on paper through digital document management, providing long term savings as well as benefits for the environment


OZ: Is implementing an automated workflow system for the digital creation, assembly and presentation of documents, which will save $100,000 annually through reduced printing, distribution and storage costs, and yielding a 100% return on investment in two years.
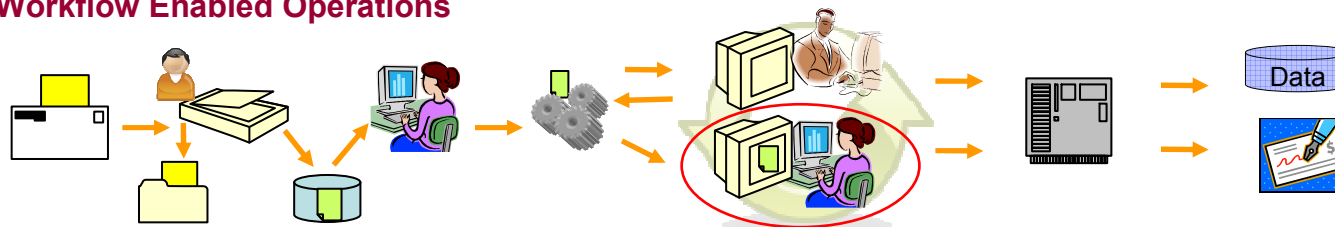
Automated recognition, intelligent routing, and work task automation can take operations to a new level of flexibility and efficiency

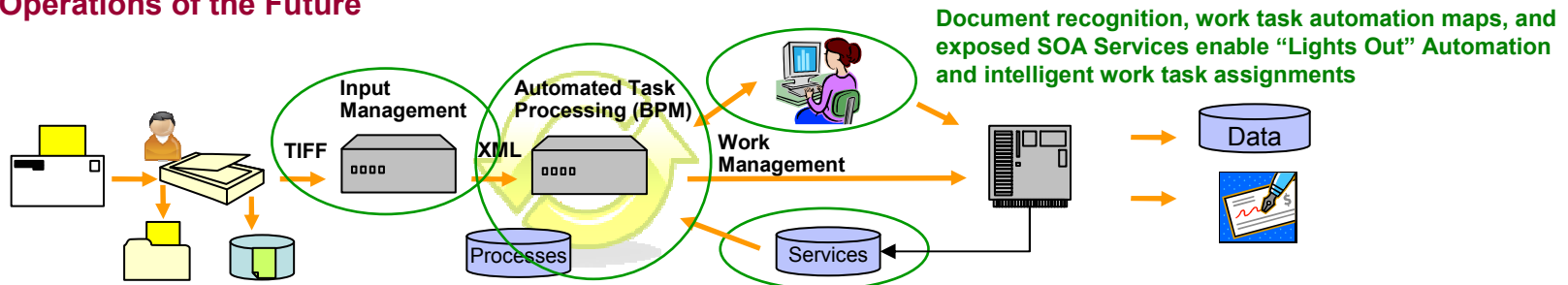| Mailroom	Prep	Index	Route	Process	Application	Output and Storage

Traditional Paper Operations
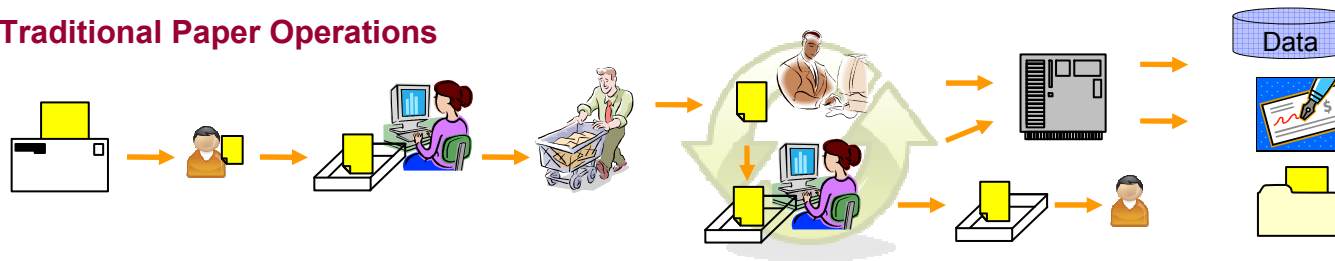
Workflow Enabled Operations

Operational efficiency limited by Knowledge worker being the "Integration" layer between Documents and Applications

Operations of the Future

Document recognition, work task automation maps, and exposed SOA Services enable "Lights Out" Automation and intelligent work task assignments

Input Management
TIFF
Automated Task Processing (BPM)
XML
Work Management
Processes
Services
Data

18

Smart Insurance:
Dynamic Enterprise

SMART IS
Developing processes and systems to roll out products that meet specific customer needs more quickly and adapt to local market conditions

Professional Provident Society: Brought nine new insurance products to market in less than one year, allowed rapid development and regulatory approval of new products in response to competition, decreased audit findings by 80 percent and significantly improved controls for collecting premiums.

SMART IS
Monitoring and tracking critical processes automatically to sense and respond to internal bottlenecks

Insurance.com: Implemented a continuous monitoring solution for their on-line quote system that provides rules-based alerts and analytic capabilities to identify performance problems before they become customer service problems.

Smart Insurance:
Green Infrastructure

SMART IS
Moving physical servers to virtual logical partitions that can be configured to meet changing application and market demand

Leading German Private Insurance Carrier: Consolidated multiple systems on different hardware platforms to just two p5-570s, simplifying its infrastructure, increasing connectivity and information sharing throughout the value chain, and reducing hardware administration and maintenance costs by 33 percent.

SMART IS
Developing virtual infrastructure that keeps agency office overhead low and scalability high

Indian FS Leader: Created an insurance virtual office and comprehensive self-service infrastructure that provides agents, customers and employees with access to the policy information and services they need, enabling the opening of 600 branches in 10 months and helping to achieve 195% year-over-year growth.

The imperative for insurance companies today is threefold.

1

INFORMATION AGENDA

Inventory Assets

- Data access, connection, and cleanliness
- Process audit to find information capture opportunities

Unify Disparate Silos

- Incremental accretion
- Data federation

Drive Process Change

- Adapt processes to customer value and propensity

2

OPERATIONAL EXCELLENCE

Rationalize Current State

- Inventory applications and functional coverage
- Review local market needs – current and future

Simplify Gradually

- Identify and build common services
- Wrap legacy systems in common service architecture

Virtualize

- Move to logical (vs. physical) hardware platforms
- Identify highly variable workloads and set up on demand options

3

BUSINESS / IT ALIGNMENT

Innovation Roadmap

- Define business component model for enterprise
- Business/IT agreement on strategic investment areas

Build Competitive Capability

- Experiment in new capabilities and "fail fast"
- Leverage data, operations, intelligence to enable new business models

Optimize Non-Strategic Areas

- Connect with specialists to take out costs in non-core components

Let's build a smarter planet.

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APPENDIX

Sources for statistics

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[1] Sam Palmisano Speech, November 12, 2008

[2] Sam Palmisano, "Smarter Planet: The Next Leadership Agenda", The Council on Foreign Relations, Nov. 6, 2008

[3] George Grieve. "Risk & Insurance", June 1, 2008

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[4] Sam Palmisano, "Smarter Planet: The Next Leadership Agenda", The Council on Foreign Relations, Nov. 6, 2008

[5] AM Best

[6] Celent

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[7] U.S. Geological Survey press release, April 4, 2008

[8] Novarica

[9] LOMA 2009 Forecast

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[10] IBM Insurance Industry Analysis, 2007

[11] IBM Institute of Business Value T3 Study, 2008

[12] Insurance Information Institute - Hurricanes and Insured Losses

THANK YOU