

**Determining Eligibility and Risk, Part 2 of our 5-part IBM  
Good Decisions! Webcast Series  
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Steve Kovsky: Good morning, good afternoon or good evening, depending on where in the world you happen to be right now. Welcome to today's webcast. It's Part 2 of a 5-part webcast series entitled Five Jobs You Can Do Better with Intelligent Decision Automation. Today's webcast will focus on eligibility and risk and it's brought to you by InformationWeek, IBM and broadcast by United Business Media, LLC. And I'm Steve Kovsky. I'm a contributing editor for InformationWeek and I'll be your moderator today.

We want to make sure this event is as interactive as possible, so I'd like to make a few announcements before we begin. First off you can join our interactive Q&A session at the end of the event by submitting your questions and you can do that at any time during the webcast. Just type your question into the Ask a Question text area. You'll find that below the media player window and then click the Submit button. The slides will advance automatically throughout the event. If you'd like you can also download a copy of the slides by clicking on the Download Slides button. You'll find that located below the presentation window. And if you're experiencing any technical problems please click on the Help link below the media player. That will take you to our webcast help guide. You can also contact our live technical support helpline and you'll find their number located within that guide as well.

Now on to today's presentation, Five Jobs You Can Do Better with Intelligent Decision Automation. This is Part 1, Claims Processing and joining me today is Bruno Trimouille. He is Program Director of WebSphere Industry Marketing at IBM. He's currently responsible for industry marketing and go-to-market strategy, as well as industry subject matter expertise and for rolling out marketing, sales and technology assets. And Bruno, it's great to have you with us this morning.

Bruno Trimouille: Morning, Steve. Thanks for having me here.

Steve Kovsky: Okay. And with that, I'm going to turn it over to you.

Bruno Trimouille: All right. So, good morning, good afternoon, everyone. It's my pleasure to be here today, Part 2 of the web seminar series. When we look at putting together a series of topics, just to be very honest, eligibility and risk was top line because it is something that today is very ubiquitous. It's not only for banking and insurance, it applies really across a number of industries when you look at the healthcare space for instance or even the life sciences, ensuring proper rollout of new medicine. When you look at claims processing it's very important. Same thing in government, for government services. Telco industry or even in the retail industry, we see a pickup of activity around eligibility, risk and compliance. So at the end of the day we believe this is pretty important and ubiquitous concept I would say.

And really at 30,000 feet when you look at the current environment and the current economical environment, there is really three different pressure coming from three different

ways. I mean on one hand at the top line you have customers and more specifically the customer experience. Great expectation there. Smoother customer experience. Greater customer experience. Bottom left and side, a need for business agility. Systems that are arcane, that lag agility to adapt to new changing regulations, to competitive pressure, need to be upgraded and replaced to improve the business agility.

And last but not least obviously all that within the realm of compliance, increased level of scrutiny from government side, from even internal side. The more we grow the more scrutiny there is when it comes to compliance. So if really we look at the convergence of the three main forces, you have a lot of pressure and at the center we put decisions. You need to make decisions, automate decisions taking into account those three different angles, and eligibility and risk is a great example of that -- is really at the convergence of the customer experience, business agility and compliance.

So it's not only I would say us making this up as a vendor when you look at the market out there and I took a sampler across industries, there is really a need for change. The cost of status quo is very high. I mean when you look into it from a customer experience, 70% of retail banking customers have had at least one negative experience. So there is tremendous impact here and tremendous opportunity as well to improve the customer experience and thereby make your customer happier, stick longer with your products and services and maybe have an opportunity to increase and improve the wallet share.

Same thing on business agility, when you look at the insurance space, a lot of costs are sort of wasted in operational inefficiencies. True for insurance but definitely true across a number of other industries. And last but not least compliance is ubiquitous so we have heard about a lot of compliance mandates across industry, not only in banking but in insurance, in life sciences with the Sunshine Act for instance. And so the more it grows the more integration, the more visibility that needs to be on the different systems automating those critical decisions, such as eligibility and risk.

So the approach that we have seen out there, it's really about improving those processes. And I would call it a journey. So a journey toward incremental modernization. We've really seen customers starting from sort of islands of automations, so looking at their process and starting to add greater level of automation, then moving toward greater automation of those processes aiming at greater level of straight-through process and then achieving their goal, what I really labeled as automated decisions. So automated decision is really turning your process sort of upside down and only having human intervention to focus on exceptions only. So most of the cases will be processed in a straight through fashion and only exceptions will be referred to human being. As opposed to the other side, the left hand side of the diagram, which is very human centric, very high-touch processes.

Now when I talk about a journey and modernization, I'm not talking about 18 month's kind of project. I'm talking about doing an incremental modernization, starting in nine weeks with a quick win pilot. And a quick win pilot is actually a formal offering that we have to help customers get started with their business rule project. Their first project most of the time it is something that we formalized two to three years ago and just to give you an idea, over the

past two months we have run about 38 of them worldwide. So just again to bring a proof point, modernization is something that can be done. It can be done in bites, in manageable chunks, in an iterative fashion starting in nine weeks or less. So how do those customers go about it?

When you look at an underwriting process for instance, there is a need for eligibility. There is a need for risk assessment. There is a need for exception management. What we see people doing is really looking at it as sort of islands and chunks of automation identifying the decisions within their processes that need to be externalized from these processes. Sometimes the decisions are in code, sometimes in Excel spreadsheets, sometimes in the head of people at the operation center. The concept is to really externalize those decisions from these different silos, these different technologies. And really make them available and expose them within your infrastructure as what we call decision services. So decision services, underneath the cover, we'll embed a number of business rules that will be governed, managed across their lifecycle by both IT but more specifically the business community.

And what I mean by that, again is writing such eligibility rules. This is an example coming from the banking space. Very readable statement. Sort of an if-then-else statement constructed in a point-and-click fashion, guiding even a business user in his own terms using his own known vocabulary to write an eligibility statement that could be very simple all the way to very complex in nature. I'm talking about as well, a table-based scoring model for instance for risk assessment as you can see here, or referral rule as you can see at the bottom, really a whole gamut and a whole set of different artifacts to help you represent your eligibility guideline, your risk assessment guideline, be it very simple or being very complex like again decision table, decision tree kind of model involving hundreds if not even thousands of different parameters.

So this journey again is really something that is supported by the architecture of the product and also the concept of decision service. So one important benefit that you have here is really the ability to create those decision services and allow them to be reused across multiple business processes as you can see on this slide. So when you want to keep your mission critical business decision like eligibility, like risk, up to date and synchronized across those processes, this is a great approach to do that. It would allow for centralized management, for deployment across your enterprise while allowing for channel product specificity that needs to be. So you can literally reuse a baseline of risk scoring guidelines and customize them according to the specific need, the specific channel, the specific product you have at hand.

So a very powerful way from both an architecture standpoint, again externalizing, you have a centralized point of management I would say. And then from a business standpoint really adding greater level of agility not in one but across many different processes. And this is really supported by the concept of decision service here.

So let me switch gear here and take a look at different customer references. I tried to extract three key and much needed capability when we talk about risk and eligibility. And the first one really that really stood out was the need for business agility and responsiveness. The need to improve those processes with greater automation. The need to update eligibility

guidelines in hours not months, not even weeks. The need to shorten the response time at the point of contact with the customer.

And here I'd like to bring the example of this US bank, a regional US bank, which looked at business rules to improve their loan origination process. So the main driver here was about streamlining, reducing operational costs around loan origination and at the same time allowing for quick and rapid changes. We're not talking about only simple rate changes, we are talking about eligibility changes. We're talking about risk assessment guidelines. So really allowing for the business to be put back in the driver seat and owning such business rules. So the starting point was actually three different loan origination system in place for three different channel. Going about externalizing rules out of those loan origination system and centralizing them into a decision service whereby three business analysts at the beginning would be in charge of writing business rules.

And when we talk about writing business rules, it's not only the inception piece it's also the validation piece with test cases, simulation impact analysis before they will hand it out to IT for regression testing and quick deployment. So here again the benefit of that -- again think about it, one change request before need to be applied through three different systems. Lots of time lost in identifying where to make the change, in replicating the change across the three different system. So obviously by the centralization effect and the empowerment of business user, you have great benefit here. So first of all the integration of decisioning across the business division, very key here. Improving the loan officer productivity by 50%, so again focus from manual task to managing exceptions only. Very key here. And very key in delivering a better customer experience, answers in hours not days or even instant answers. And then from an agility standpoint, reduce time to market three to 10 times. Okay. Why is that? Centralized management of rules, rules in the hands of the business users. Even quick fix when a problem was identified within 20 minutes. And again a quick fix into the system within 20 minutes with business at the helm.

Overall a 5X reduction of system maintenance manpower. So again tremendous benefit here in adopting an externalization approach to rules which we were scattered in a system and then improving the overall agility and the overall responsiveness even from a customer answer standpoint. How do we go about that project? Well we, as always we tend to mount our project in stages and iterations. So the first iteration a little bit longer than a quarter to pretty much baseline the existing decision logic, eligibility, scoring and some other elements. So here it was pretty much take the existing rules and externalize them and put them into the business rule management system.

And then gradually quarter after quarter adding product lines, as you can see in brown, or functionality as you can see in blue. So each and every quarter we had either more product like home equities, student loans, et cetera covered. Or more functionality such as deal repair, upstream and downstream referral and so on and so forth. So really taking a core and a base of eligibility and risk and growing that across the process in an incremental way. Just to give you some figures again for the baseline, we're talking about three people, 5,400 rules, 52,000 test cases in a return in less than three months. So this is the kind of productivity we're talking about. But by people, named business analyst actually in this instance sitting on the

business side. And then from a resolution standpoint, before when they had a problem that they needed to fix, two day, three full time resource to fix and identify the problem across those three different loan origination system. With a centralized approach, 20 minute with one resource to identify the problem, fix the problem and go about deploying it again live into the system. So we're talking really about orders of magnitude of change when it comes to the agility that is given here to this company.

Now if we move onto the second reference, a great need that we have when we talk about eligibility and risk is a streamlined IT and business collaboration. Strong governance needs to be put in place. We need to have really transparent access to business rules on both ends. Know who needs to do what and really manage rules across their lifecycle. And here I'm bringing an example from the financial space, it's actually here, a bank in Europe, which started with a problem related to managing the risk and then use the opportunity to deliver better customer service and even preventive care to prevent encountering risky situations.

So as you can imagine when you own a bank or any large- to mid-sized business across any industry, you have a number of events and things happening within your organization on a daily basis. And at the end of the day one thing you may want to do -- if not even in real time, in this case they started in a batch mode at the end of the day -- but you may want to look at all those different events. And which could be millions of events actually. In this case it was about four million events on nine million of accounts. You may want to sift through those events and really proactively analyze any situation that may represent a risk. And when a risk is identified, you know it's not only about flagging the risk and routing that to a human being. It's also about routing it, identifying it and then identifying what's the next best action. What's the next best procedure to sort of prevent, resolve, come about this risky situation.

So really here it's about sifting through again a large volume of data overnight. That's what you can see on the left hand side of this slide. This was done actually in a batch mode but we do have a number of customers who do that in real time today. It was just dictated I would say by the architecture and the availability of the data from the bank side of things. So here it's about enforcing those risk assessment rules to have easy, safe and predictable and auditable risk management. And really allowing people on the business side to own those business rules, own those risk profile and actually the bank here started by 200 risk profiles across seven categories, managed by a set of business analysts.

And then in the morning as the bank clerk and the customer advisor walk in the branch, they have, as they log onto the system, a quick overview of all the actions they need to take upon those risky situations. So as an account get flagged, the customer service representative will get to see the reason why the account was flagged and then interactively be provided with a set of actions supported again by business rules. So looking at explanation, suggesting action plan, maybe getting a list of pre-baked letters to be sent out to notify of the situation. Maybe looking at real time offer of up-selling/cross-sell and counteroffer to again minimize the risk. So we're looking really at turning into an application very focused on risk and compliance in the back end to empowering people on the business side to do a better job on the customer service side to interact with customers, deal with the risky situation and even take the opportunity to engage with the customer in a preventive care fashion and manner.

So here we're talking about again great benefits in terms of the quality, in terms of the collaboration between business and IT. There was a strong governance process as you may imagine put in place between business and IT to have those rules managed in a safe, easy and predictable way. And then on the customer service side, more than one hour of time gained by advisor. Knowing that there are 13,000 advisor in 2,500 branches, this add up to very significant cost savings.

And last but not least one thing that we have heard over and over, it's really about the -- what I could call quality of decision. Smaller decisioning, greater consistency, greater granularity across the board when it comes to look at eligibility and risk assessment. The one-size-fits-all is no longer valid. Greater granularity, greater scrutiny needs to be applied across all the parameters, all the data point you may know about a given customer or given prospect. And here we have a great example coming from an insurance company. So just to give you a picture of the before and after. So the before process was very manual intensive, really looking at decision logic embedded into the process, the straight-through processing was pretty limited as you can see, 17% only of straight-through processes. And then lack of personalization and specialization. So here we mean basically a lack of granularity in the decisioning.

The insurance company actually shared an interesting example in the commercial space, meaning that two sports stores in the same shopping mall, they really had a very limited amount of parameter to differentiate the policy from sports store A to sports store B. And again, when you look at the credit score, when you look at even the way the sports store may pay about its phone bills, its electricity bills, the whole history about the customer, that needs to be taken into account. We're not talking about a dozen of parameter, we're talking about far more parameter to help the insurer differentiate pricing from one store to another. Just not on the fact that it is based in the same mall selling the same type of goods. So here the approach was really to embrace again the concept of business rule management to increase the straight-through processing from an eligibility standpoint and from a pricing standpoint. So decision logic externalized. Much greater level of automation, so again moving from 17% to 76% of straight-through processes. So that's pretty high.

And then greater specialization. So again moving from dozens of parameters to more than 150 parameter, this is what they shared, more than 150 parameters to better differentiate the way they would segment risk and go about risk-based pricing. Today when you look at the insurance space, even a few dollars may make a difference because of all the Internet tools available, comparison shopping available. A few dollars may make a difference. But the customer at hand may need to represent an acceptable risk. So this kind of approach, being far more granular in the way you segment risk, in the way you define your business rules does enable you to go after some niche where you want to be very aggressive while managing risk in a safe fashion.

And again here the number speaks for themselves. So speed to market gains over 50%, so meaning that the change of risk policies can be applied very quickly. Straight-through processing improved greatly. And last but not least increased quote per agent by 26%, new

business flow by 50%. I'm sure a lot of insurance companies would envy such numbers looking at the current environment, improving the new business flow by 50% is not a small feat. And last but not least all that having set in stage, very rigorous governance process. And this is some numbers they have shared. Today they average 3,000 change per month and this is actually the number they shared last year so I'm pretty sure this year they must be at an even greater number. Monthly and quarterly release done on cadence by IT and here we're talking about phasing in, for instance, new attributes, new parameters, predictive models maybe even to be used along side with rules.

And then twice a week, on a cadence, having business in control and releasing those rules. And again twice a week is a cadence. And then within hours if they need a quick fix they can do that as well. So just again to give you a taste of the agility and the governance you can still put in place to have IT and business collaborate around eligibility and risk decisions.

So how to get started. Two quick advices here. One of them would be to look at the process improvement discovery workshop. It is a very codified exercise. It's about two- to two-and-a-half day. We come to your site and we will discuss the business side, the technology side and the implementation side for business rule management system and at the end you really get an assurance whether there is a fit or not very early on in our discussion. So it's a great way for you to look into it. To even make a business case at times and really validate the technology from these different angle.

And last but not least we have a user conference or yearly conference, which is called IMPACT 2011. It's pretty much next month, on April 10, and I definitely encourage you to attend because there'll be quite a number of attendees as you can see and as you can guess a lot of customer testimonial on how they have gained business agility using business rules across -- eligibility across risk but across a number of other industries and application as well. So with that being said, I'd like to open the floor for question-and-answers.

Steve Kovsky: Okay. Thank you very much, Bruno. That's a really impressive metrics of what companies have been able to achieve using this. Before we begin the Q&A, I would like to invite you to fill out the feedback form that should be opening before you. And to do that all you need to do is fill it out and press the Submit Answer button at the bottom of the page. Thank you in advance for filling out that feedback form. Your participation really helps us improve future webcasts. And in addition to that, you'll find some more information that you can take advantage of in these links that are opening before you. With that let's jump to some questions and answers. Now the first one, Bruno, has to do with the idea of putting business rules in the hands of business users, what types of safeguards, tools and processes can we put in place to avoid chaos and errors?

Bruno Trimouille: This is something that we get pretty often, especially when we talk about an eligibility and risk assessment type of application. So it's really about I would say the tooling first. Within the tool there's lots of different capabilities at hand from a built-in governance, deciding who does what and at what point in time to having each and every type of user using a very familiar environment. And what I mean by that is for instance on the business side, you could have business users use a Microsoft Office, Word or Excel format to

write business rules. So making sure that we express those rules in a very natural, very easy way and show this business rule in a very easy to understand and comprehend environment. Add to that capabilities like using templates and putting together templates. Capabilities like impact analysis with simulation or with syntactic check. There are a lot of tools, a comprehensive set of them actually, built in the product to ensure that business users will feel comfortable and that you can fine tune the way IT and business go about managing rules across their lifecycle.

And then on top of that we have a number of best practices, quite a number of them actually publicly available on the website to explain how to go about it from a governance standpoint. The last example actually highlight how a company really has matured, the concept the business rule management at the enterprise level. And created a center of competence. So it's a mix of built-in capabilities, lots of them in our products, out of the box, geared to all different users' communities. And then a set of best practices on top of that.

Steve Kovsky: Okay. Very good. I just wanted to give a reminder to the audience, you can still submit a question, so please do that right away, if there's something in your mind that you'd like to ask of Bruno, just hit the Submit Question button. You'll find that and we'll be happy to share that with Bruno. Second question that's come in from the audience, can decision outcomes on risk and compliance checks be captured and replayed on demand?

Bruno Trimouille: Yes. So when we talk about better auditability, better visibility, it's both about being able to document rules at any point in time. What are my risks and compliance rules today in the system? What were there on January 1. So it's the ability again to document the business rule in plain English or plain local language, because we support different languages here, and be able to roll back -- roll back in time and then you can also look at it from being able to justify decisions. So as a claim comes in, as a request from a customer or prospect comes in, all the business rules that would work against this request and decide whether it's acceptable, unacceptable, risk-based pricing, all these different decisions can be persisted at a very granular level.

So enabling company to justify why they came with a rejection, why they came with this amount of claims, or why they came with this loan rate. Really great capabilities available there not only to document rules but to also justify business decisions. And obviously again the replay back is enacted because of the governance and versioning we have built in in offering them.

Steve Kovsky: Okay. So you're completely covered in that respect. Here's another question for you. Are impact analysis capabilities for IT users only or do you have these available for business users as well?

Bruno Trimouille: Well, we have it available for both communities, yes. And you will come back to my first example, three business users writing 5,000-plus rules and 50,000 test cases on their own. So it's a great testimonial that these capabilities are not only available for IT, in the IT environment, but also for business users for them to look at quick testing of a new rule that they have created. All the way to impact analysis, working against their data warehouse,



thousands, millions of records to look into decision quality. So today we are at our third incarnation of the testing and simulation environment and again it's available for both audiences in- and out-of-the-box fashion in our product.

Steve Kovsky: Okay. And looking at the big picture, Bruno, this really is ushering in a new era in IT with the ability to interface much more closely with the business side to align very closely with business and to actually let business users take a leading role in creating their IT environment and in modifying it to suit the business. Do you think that this is going to spread into other areas of the enterprise?

Bruno Trimouille: Yes. Most definitely. Again although today maybe I stressed out a lot of references across the financial sector space, sectors such as healthcare, government, retail, communications are really adopting this technology at a fast pace. And then you can look into this as the stepping stone. A lot of companies start with those project because again this is where they have the most pressure point and they need greater flexibility on eligibility and risk. But often enough, those companies reuse the technology, reuse the best practices across all the lines of business. So you could start with underwriting, move toward claims and then do an accounting project, then do a cosigner project using the same technology, the same baseline under the cover to add agility to your existing system. So you're definitely right. It's adopted across companies. It's adopted across industries. And it really fosters a new way to work together for IT and for business. And really decoupling I would say the IT really cycle from the business really cycle. And that's where the great ROI and the greater business agility is.

Steve Kovsky: But in doing this you don't give up the controls that IT has over the infrastructure, they're still able to manage and keep those capabilities that are being offered to the business users within very tight parameters.

Bruno Trimouille: Yes. You know, checks and balance. Maybe for iteration one of the application you may only allow a business user to use a template with two placeholders --- waiting for like numerical value for instance -- so that there will be stakeholder in the rules management process. You could go at very, be very strict and be very narrow in the way you allow them to make a change. So there's lots of capability and governance that allows you to do that. Checks and balance. And then gradually as they become more comfortable or as they move to power user kind of role, they may own more of that. But all of that within a strict governance put together by IT and business agreeing on both ends on who will do what.

Steve Kovsky: Okay. Very good. And last question, let's talk about local versus global, does centralized rule repository mean that we need to go with a one-size-fits-all approach. For instance can we define region or product centric risk management rules?

Bruno Trimouille: Yes. So the product itself again is the platform and the platform really allows for this repository to be highly modular. So we do have customer baselining their set of risk and eligibility guidelines. And then specializing them per region, per product line, which gives a great ROI as well because you will reuse a lot of those existing baseline rules. You will not need to rewrite them. But at the same time you can override some of the

existing rules, maybe a state regulation for instance may prevail above a federal regulation. Or you may allow to specialize in the rules for a specific product, if you want to be more aggressive in the car insurance space. Again you may want to override for specific customer and giving them a better deal, a better discount. So all that is definitely possible. So centralized but not dogmatic. Centralized from management standpoint. Still very open in terms of local versus global, yes.

Steve Kovsky: Okay. Great. Well, thank you so much. I want to thank everyone for attending today's webcast, Five Jobs You Can Do Better with Intelligent Decision Automation and this has been Part 2, Eligibility and Risk, brought to you by InformationWeek and IBM. For more information about today's webcast, please visit any of the resource links that you saw open before you. And within the next 24 hours you'll receive a personalized follow-up e-mail with details and a link to today's presentation on-demand.

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