

I.T. Investment in an Economic Downturn



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A seized economy is causing brokers and I.T. vendors alike to re-examine what it would take for brokers to go ahead and revamp their I.T. systems

Canada's uncertain economic environment has threatened to become a factor in broker automation software investment decisions. A system change is a difficult decision at the best of times, and an even more challenging one in periods of general economic turmoil.

Are all broker software systems created equal? At the end of the day, they all do the necessary work at different levels of efficiency. But do some offer enough added benefits to justify a change, despite the extra expense and effort required to make that switch?

Ease of doing business, data exchange transparency, data integrity, customer retention, prospect to customer conversion rates, exceptional customer service, greater E&O protection, ease of compliance and ongoing financial considerations — we've all heard these buzzwords before, but they remain common goals that brokers still have on their wish lists into 2009 and beyond.

DECISIONS, DECISIONS

Based on current economic conditions, consumers seem much more likely to evaluate their business relationships — including their insurance arrangements — and seek out suppliers that make it easier for them to conduct business. Brokers capable of meeting and exceeding these expectations will continue to win over consumers' trust and loyalty. So is this the right time to be

considering a change in one's incumbent broker software, whatever it may be (i.e. rating, customer relationship management [CRM], commercial systems or broker management systems)? Does one invest the time, money and effort in a system change now to strengthen the business for the inevitable turnaround? Or is it simply wiser to coast along with the incumbent systems already in place?

As a major supplier of software to the insurance industry, Custom Software Solutions Inc. (CSSI) recently asked these very same questions to its marketing team in a strategic business planning session. Would brokers tend to take a wait-and-see attitude with what happens with the economy before making decisions with respect to investing new dollars in automation? At first glance, who would blame them for staying put in the current economic environment? What would they do? Conserve capital or invest it?

We all agreed there would have to be very compelling reasons for a broker to make such a change. CSSI realized a 500% growth in the Ontario market share in 2008, but what about our 2009 forecast? Could we expect the same rate of growth? So we asked ourselves what tools would prompt a broker to make such an operational change.

Points raised in the debate among members of the marketing team made us look at the true benefits of investing in a new Broker Management System (BMS). Are there enough value-added features to outweigh the cautious "wait-and-see" attitude? The new system must provide quantifiable efficiency gains, increased customer service levels and, of course, lower the cost of doing business, all of which must lead to an increase in the profitability and valuation of the brokerage.

THE POS² ADVANTAGE

Similar to Einstein's theory of $e=mc^2$, CSSI coined a new theory called "the POS² Advantage." The POS² Advantage delivers true 'Point-of-Sale (POS)' and 'Point-of-Service (POS)' features that put all of the necessary tools needed to be successful in the hands of the independent broker distribution channel. Generally speaking, brokers considering investing in a management system should look for a CRM system that deals with all their lines of business in the same manner within a single user interface and within one product. The solution should not force brokers to segment their book into various systems or subsystems; it should eliminate the need to bridge data between different products.

Using such a system as his or her base, a broker should be able to add fully integrated modules as required, including full rating and underwriting for both personal and commercial lines, management tools and reports, billing and accounting and integrated communication tools that allow brokers to interact easily with all of their business partners. This level of integration is intuitively simple, but is not yet common in the insurance systems marketplace. It is one of the keys to achieving operational efficiencies and empowering a sales organization, enabling an organization to compete today and in the future.

Under POS², the CRM should provide access to all customer information needed to manage the brokerage, along with a robust event tracking system for E&O purposes, interactive claims management tools, integrated e-mail, scanning tools, powerful word processing and intelligent marketing tools that help brokers work on exceptions rather than have to manually mine their data to find those exceptions.

The CRM should be fully integrated into the rating and underwriting functions so that information is entered once and shared. The rating and underwriting tools need to provide quoting and rating functionality for personal lines, habitation, farm, automobile, ATVs, motorcycles, commercial auto, ratable commer-

cial and referral commercial, as well as seamlessly integrated reconstruction cost evaluation tools for both habitational and commercial structures.

In the POS² environment, management and accounting functions should be fully integrated to provide comprehensive tools for managing renewal retention. Tools for policy-to-policy comparison can help to reveal underwriting discrepancies and up-sell opportunities without the need for the broker to look at paper or scan paper versions. Such tools would also result in customizable and predefined management reports.

Integrated billing would make policy invoicing and accounting a mere by-product of the policy transaction issuance: detailed transaction rules for various commissions and fees would enable automated download processing and increased accuracy of billings. Also essential are receivables management tools and capabilities that help brokers offer finance premiums options internally, allowing brokers to offer plans that compete with insurers' direct bill payment plans.

AUTOMATING TRANSACTIONS

Brokers need to look at communication tools that cover automated interaction with both partner insurance companies and customers. The extent of automated interaction with an insurance company depends mostly on what the company has made available to the broker. It can range from a simple, automated, single sign-on with inquiry to more complex transactions. In particular, a POS² system must offer the capability to communicate and transact endorsements that represent the bulk of the non-premium/revenue-generating transactions in the brokerage. Brokers need to partner with companies that want to embrace the automating and streamlining of transactions for both the broker and company to drive efficiencies and profitability on both sides of the transaction.

Software vendors are required to interact at these various levels of complexity. Data collection and data integrity in the management system is an important part

of allowing these various transactions and integrations. Customer and policy data is a broker's most important asset; it should therefore be collected, controlled and retained in an efficient manner. A broker's policy data must never be overwritten by the download produced by insurance company data sets. The broker's original data is invaluable because it is used to compare what was requested against what is received. If his or her data is overwritten on download, the broker has nothing against which to compare the data received from the company for accuracy purposes other than paper or scans.

Brokers should also be looking for their BMS systems, via the brokers' own Web sites, to be able to interact with clients, prospects and risk managers online. If brokers can offer service to clients by means of their own Web sites, then clients would be provided with 24/7 access to do online quote requests, policy change requests, insurance purchases, policy review and account balance inquiry. Given the continuing growth of e-commerce, capabilities of this nature are essential for a broker to remain competitive.

Existing competitors, new competitors and direct writers are continuing to make use of technological advancements. Brokers must therefore continue to grow their business, improve customer relations and drive efficiencies in order to remain the preferred method of distribution in Canada.

A planned investment in a new BMS technology is a strategic business decision. For optimal results, the chosen solution should deal with all their lines of business, be fully integrated at all points, retain 100% of the data collected, embrace the POS² concept and enable the broker to interact at various levels with their customers and insurance business partners as they look to the future with on-line Web services.

Although times are uncertain, brokers will always be interested in exploring alternative solutions that can make them more efficient and profitable. An investment today will pay off now and in the future. ≡