



# From Agent to Carrier and Back

*Why Property and Casualty Insurers Must Rethink the Data Journey*

WHITE PAPER



This document contains Confidential, Proprietary and Trade Secret Information (“Confidential Information”) of Informatica Corporation and may not be copied, distributed, duplicated, or otherwise reproduced in any manner without the prior written consent of Informatica.

While every attempt has been made to ensure that the information in this document is accurate and complete, some typographical errors or technical inaccuracies may exist. Informatica does not accept responsibility for any kind of loss resulting from the use of information contained in this document. The information contained in this document is subject to change without notice.

The incorporation of the product attributes discussed in these materials into any release or upgrade of any Informatica software product—as well as the timing of any such release or upgrade—is at the sole discretion of Informatica.

Protected by one or more of the following U.S. Patents: 6,032,158; 5,794,246; 6,014,670; 6,339,775; 6,044,374; 6,208,990; 6,208,990; 6,850,947; 6,895,471; or by the following pending U.S. Patents: 09/644,280; 10/966,046; 10/727,700.

This edition published May 2009

## Table of Contents

Executive Summary . . . . .	2
Competing in Today's Insurance Market . . . . .	3
The Burden of IT Complexity . . . . .	4
The Current State of Agent Data Exchange . . . . .	5
A Paradigm Shift in Distribution Data Management. . . . .	6
Agent Management. . . . .	7
Data Integration and Data Quality . . . . .	8
Universal Data Transformation . . . . .	8
A Best-of-Breed Approach to Distribution Management. . . . .	8
Conclusion . . . . .	11

## Executive Summary

For years, property and casualty insurers have invested in the latest technology products to streamline and automate processes, reduce integration costs, improve channel effectiveness, or achieve other worthy goals. The problem is these solutions pile up over time, resulting in a complex and burdensome IT environment that diminishes the very goals carriers intend to achieve. Today's carriers are faced with multiple point solutions, many integration points, and multiple data sources that need to be constantly maintained and upgraded to support changing business requirements.

Managing all these solutions not only results in high operational costs, but it also severely hampers a carrier's ability to get agents and other channel partners the information they need to effectively sell and service customers. At the heart of this problem is that each solution managing touch points along the agent data exchange process is essentially performing the same transformations and other tasks for the same data used in other parts of the process. These redundant tasks limit the productivity of valuable resources and result in high and often unnecessary development costs.

Investing in additional point solutions does not solve this problem. Carriers must rethink the way they manage the flow of data exchange in the agent channel. They need to take a more holistic, data-centric view of agent interactions and invest in technology that is capable of managing the entire process—both agent/carrier interactions and internal integration between front- and back-office systems and data stores. By addressing these issues, carriers will improve their ability to communicate with agents while significantly reducing the cost of supporting their distribution channels.

This paper will discuss the market conditions that are driving carriers to focus on channel efficiency and explain the challenges they encounter as a result of IT complexity—how multiple point solutions are increasing costs and making it more difficult for agents to do business with carriers. It will recommend a new approach for managing distribution that's creating a paradigm shift in channel management. This approach will help carriers eliminate costly redundancy at data touch points, reduce current IT complexity, and get information to agents fast to improve channel effectiveness—all while augmenting existing carrier technology investments.

Readers will also learn how a leading carrier has already adopted this strategy to better support a growing number of agents and brokers, and how new technology enables them to significantly reduce distribution costs, streamline agent collaboration, and drive profitable growth by ensuring agents have the information they need to be successful.

## Competing in Today's Insurance Market

In today's uncertain economy and soft market conditions, property and casualty insurers are looking for ways to grow profits, reduce expenses, and maximize operational efficiencies. Leading carriers are focused on optimizing their distribution channels at the lowest possible costs to achieve the highest level of agility. An effective agent channel, for example, can enable carriers to expand their footprint, grow market share, and target the right customers at the right price.

In the property and casualty market, "ease of doing business" with agents is a key strategy for carriers looking to maximize channel effectiveness. If agents prefer to do business with a specific carrier—if they know the carrier's products, pricing, and risk appetite—they are more likely to quote that carrier's business. Core to this strategy is providing agents with the right information, fast, so they can better target customers, effectively price a carrier's products, and identify up-sell and cross-sell opportunities. Efficient communication with agents leads to improved loyalty and higher retention and is a critical factor for profitable growth.

Many carriers are struggling to bring down distribution costs, which remain a significant portion of overall expenses. As dropping premiums become out of alignment with current expense levels, leading carriers are looking for more efficient and cost-effective ways to support their distribution channels. They are looking for new ways to streamline existing processes and further automate interactions with agents. Today, this connection is burdened with inefficient processes and complicated by multiple systems and data sources.

## The Burden of IT Complexity

IT complexity resulting from the multiple point solutions, different data structures and formats, delivery methods, and integration points that carriers use to connect with agents, brokers, and other distribution channels imposes a significant roadblock to maximizing channel effectiveness. Particularly for carriers with more diverse distribution channels, IT complexity results in high development and maintenance costs and severely limits a company's ability to respond to new product requirements and regulatory changes. Figure 1 represents a typical data flow between agent and carrier systems

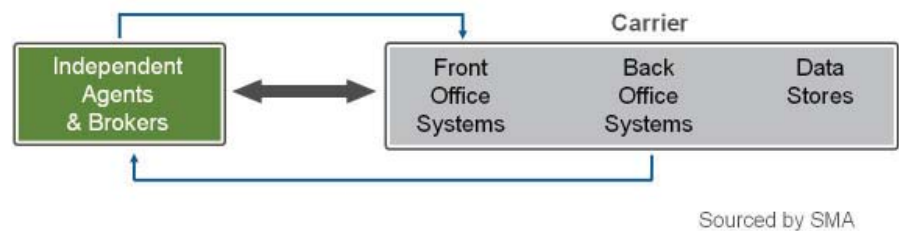


Figure 1. Property and Casualty Simplified Data Flow

As shown in Figure 1, carriers need to be able to receive data in any format from an agent's desktop, through an agency management system with connectivity or via email with PDFs or paper/fax. Carriers need to process this data and then pass it back to the agent in a manner that's seamless, fast, and inexpensive. They also need to manage and monitor both the data and the data exchange to understand what information was sent to and received by agents, identify transaction problems, and report on errors.

Data does not always have an ACORD or other standard format; it can be a flat file, Microsoft Office document, or even a PDF sent via email. For example, an agent may email a Microsoft Office Excel spreadsheet with payroll information or other supporting documentation needed for the underwriting process. Carriers need to transform this spreadsheet and other datatypes, both structured and unstructured, to integrate with front-office applications.

Carriers must also integrate and transform data from various back-office systems and data sources holding information that agents and underwriters need for sales and servicing customers. Carriers have invested in a wide variety of point solutions to facilitate both internal and external connectivity, but oftentimes these products complicate the situation by introducing additional data formats and integration points.

This imposes a terrible burden on carriers when one considers the cost of implementing, integrating, and maintaining all these solutions. For example, as carriers expand underwriting automation and refine their risk appetites and pricing, they are asking agents for more information earlier in the communication process. This means data locked in back-office systems is required earlier in the process. Changes like these have a rippling effect on development costs when coding or other expensive changes are required across multiple systems and integration points.

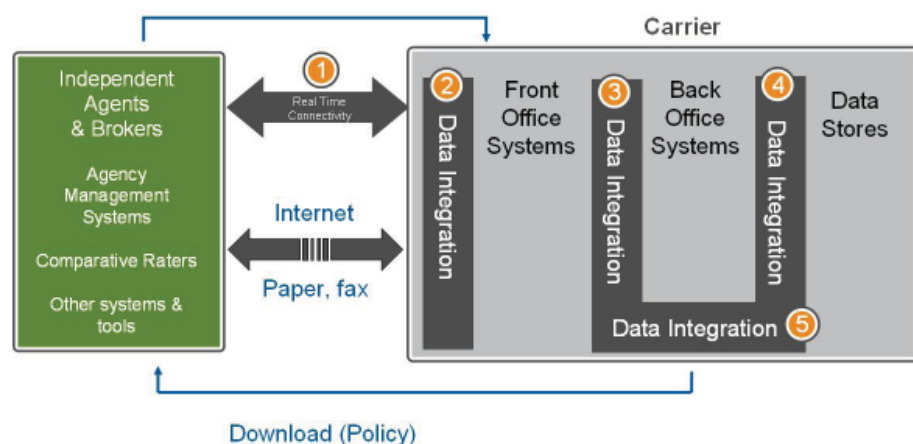
Furthermore, some of the common data transports used to connect agency systems with carrier front-office applications carry a cost per transaction. Inefficient processes, a lack of visibility into what information is being passed to agents, and the inability to report on errors can grow the number of necessary transactions, increasing costs even more.

## The Current State of Agent Data Exchange

To understand the difficulty carriers need to overcome on their way to improving agent interactions, streamlining processes, and reducing channel costs, it makes sense to take a closer look at the way in which carriers currently connect with agents, the processes they have put in place, and the various point solutions they have invested in. This is illustrated by Figure 2, Property and Casualty Complex Data Flow.

### Step 1: Real-Time Connectivity

In the agent distribution gateway in Figure 2, Step 1 represents the real-time transactions occurring between the agent and carrier as commonly seen in personal and commercial markets. This process passes application submission or new business data to the carrier for quoting and rating and then sends it back to the agent. The same transport is also used for inquiry capability regarding policy, billing, and claims.



Sourced by SMA

Figure 2. Property and Casualty Complex Data Flow

### Step 2: Agency Transmission Data Integration

Once data is received from agents, it requires data cleansing and transformation by the carrier's front-end systems. Carriers, either through application software or data integration tools, apply various rules to this data to assess completeness and accuracy and determine requirements for transformation. Data mapping and error processing must also take place. This step is critical before data is integrated into carrier portals or quoting and underwriting systems. This integrated data is also critical for predictive analytics tools used for comprehensive risk evaluation. Data visibility is also important—carriers need to monitor and manage the transmission of data to understand and track what information agents have sent.

### **Step 3: Back-Office to Front-Office Data Integration**

Typically, front-end systems, portals, and underwriting and quoting systems require access to data stored in carrier back-end core applications. These applications, sometimes legacy systems, include claims, billing, and policy administration systems, which store data in different formats, such as ACORD, proprietary versions of ACORD, and other proprietary formats. This creates additional requirements for data integration and data transformation due to the existence of multiple point solutions, which have a multiplying effect on cost when system or process changes are required.

### **Step 4: Data Stores to Front-Office Integration**

Data needed by front-end applications might also exist in a data warehouse or other operational data store. Carriers typically leverage additional point solutions to manage integration between these data stores and back-end systems, although once again, the solutions are performing the same transformations and other tasks for the same data used in other parts of the data flow, hence one more layer of data integration.

### **Step 5: Carrier Integration Back to Agent**

The last step in Figure 2 illustrates downloads from policy, billing, or claims systems by agency management systems. Data for this step needs to be easily converted and adaptable to the requirements of the receiving agent system. If, for example, an agency upgrades its systems, carrier data needs to be quickly adapted to avoid losing the agent's business. Carriers need to track what information is sent to agents, again requiring data management and monitoring.

As this process illustrates, carriers have invested in multiple data integration layers and data point solutions to support their agent channel despite the fact they are really passing the same data back and forth with agents and between the front and back office. By not taking a holistic view of data and investing in a single platform to manage the end-to-end process, carriers are forced to spend significant time, resources, and money to support the distribution process—elements not in abundance in today's market. And without standards in place to simplify data exchange, it's difficult to quickly and cost-effectively provide agents and other channel partners with the level of detailed information they need to be effective. It's time carriers considered a new approach.

## **A Paradigm Shift in Distribution Data Management**

As this paper demonstrates, the insurance industry relies on multiple point solutions to interact and share information between agents/brokers and insurance carriers. What if there was a single solution that could holistically manage both agent/carrier interaction and internal integration between front- and back-office systems and data stores? What if this solution leveraged data standards to dramatically reduce development and maintenance costs and improve business agility?

Carriers that want to be successful in today's market, and maintain their competitive edge when the market improves, need to rethink their approach to managing interactions with agents. They need to begin to view the process we've outlined from a data perspective—by thinking holistically about the flow of data. By adopting a comprehensive data strategy that drives process and technology investments, and not the other way around, carriers can radically improve their ability to communicate with agents and significantly reduce the cost of supporting their agent channel.



They need to rethink their current approach of investing in different point solutions for managing each step of the data flow. Using multiple tools to continually transform data—one of the most costly aspects of the data integration process—results in a lot of needless rework and the costs that accompany redundant efforts. Figure 3 details what a streamlined data exchange process would look like when a single platform is used to manage connectivity with agents and between internal systems.

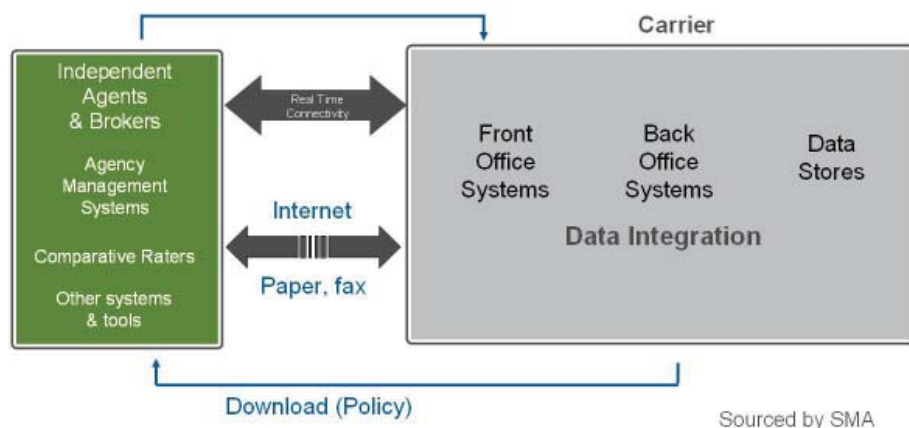


Figure 3. Property and Casualty Streamlined Data Flow

In order to achieve operational efficiency, carriers need to focus on transforming data once and transmitting that data throughout the distribution ecosystem using a common set of tools. These tools need to seamlessly integrate from back-end systems and data stores—pulling data from these systems into a common ACORD format and packaging it for exchange with agents. This approach enables carriers that have invested in a common data model to leverage the valuable work they've already done internally with their distribution channels. Carriers can increase operational efficiency and agility by streamlining the process of data exchange with agents.

Attributes of the single solution need to include these elements: agent management, data integration and data quality, and universal data transformation.

## Agent Management

In order to manage the front office needs of the agents, the business users require tools to manage multiple preferences for agents. Business users need the ability to easily keep track of how each agent wants to send and receive data—for example, if a broker sends data in a proprietary format and wants to receive data in a PDF. This can let carriers onboard agents more quickly and deepen relationships by ensuring data exchange occurs in the broker's format of choice.

Carriers need to be able to track the multiple files from the agents. Ideal features such as monitoring capabilities should let business users quickly identify transaction problems such as a business exception or a missing header, diagnose where and when the problem occurred, and troubleshoot the issue without requiring an army of IT personnel. If potential problems are identified earlier, exception handling costs are dramatically reduced.

“We support thousands of independent agents today so our ability to provide access to and automate business processes is a key source of our competitive advantage. Exposing mainframe applications through SOA and adoption of industry standards like ACORD are key enablers in this strategy.”

— Roger Cottman, Senior Director IT  
Fireman’s Fund

## Data Integration and Data Quality

A single, unified environment for batch and real-time integration guarantees delivery of messages and ensures the consistency and quality of data that brokers need. Additional support for data quality, fraud detection, and other common services can reduce countless hours of data cleansing in back-office systems. This integrated, quality data is critical for predictive analytics applications and other business intelligence tools that can improve rating.

If carriers have quick and efficient access to back-end systems, they can push real-time information to agents for optimal rating and to better identify cross-sell and up-sell opportunities. They can lower overall expense ratios by reducing the cost of acquiring, retaining, and servicing customers while providing agents with the critical information they need from internal systems, fast.

## Universal Data Transformation

It is necessary to provide broad support for industry standards such as ACORD and support binary document exchange to handle transformations across the distribution ecosystem. An ideal solution will also provide native support for XML and XSD and support both large batch files and real-time messaging.

Carriers can reduce development costs by hundreds of thousands of dollars per project by leveraging existing integration infrastructure and pre-built transformations for ACORD. Carriers should look for out-of-the-box, reusable transformations that can cut development costs in half and eliminate the need for carriers to have detailed knowledge of the standards and their continuous changes. The goal is to make it easier for carriers to modernize legacy systems and proprietary applications so they leverage industry standards such as ACORD.

There are a number of transformation tools available in the market today that can help carriers eliminate the costs of maintaining the multiple point solutions in their current environments. By accelerating adoption and compliance of industry standards, carriers can significantly reduce distribution costs and bring expenses back in line with premiums. With a powerful solution that delivers fast access to back-office data, streamlined interactions with agents, and comprehensive monitoring of data flows, carriers will be well on their way to optimizing their agent channel.

Additional point solutions cannot solve this problem. A single solution capable of managing the entire data flow, which can be used in each of the five steps outline earlier, significantly reduces development and maintenance costs and ensures agents get the data they need in the right format.

## A Best-of-Breed Approach to Distribution Management

Fireman’s Fund Insurance Company, one of the world’s largest property and casualty providers and a subsidiary of Germany’s Allianz SE, was an early adapter of the key concepts described in this document to successfully implement Informativa’s Agent Gateway solution and more effectively support a growing number of independent agents.

As for many carriers, business processes supporting these channel partners rely on information stored in legacy mainframe systems. Over time, these systems had been integrated with more than 20 different applications residing on different platforms—resulting in high development costs and limiting the ability to quickly deliver the information agents needed to be effective.

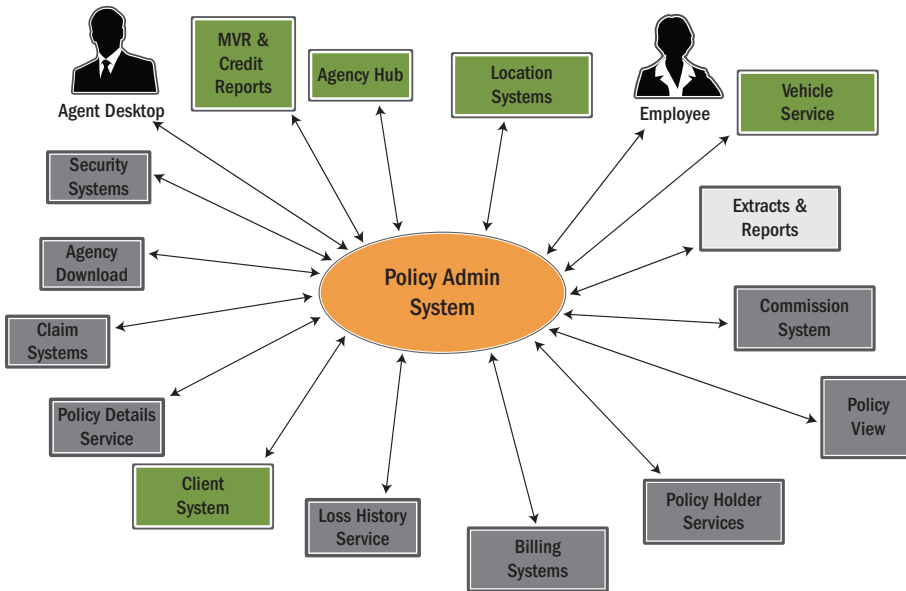
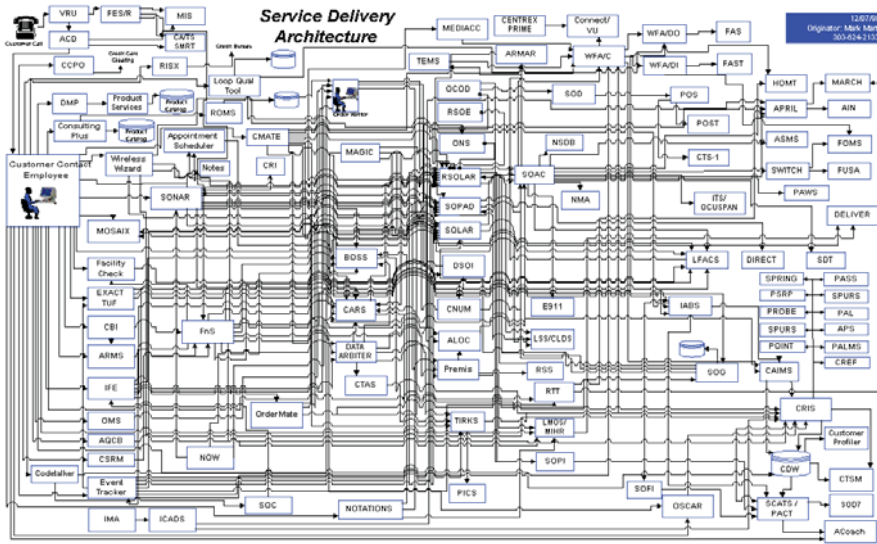


Figure 4. Fireman's Fund: A Single Gateway for All Applications

The left side of Figure 4 illustrates the wide variety of data formats and flat forms, including ACORD Level 3 (AL3) and XML, COBOL, proprietary XML and delimited formats, that complicated data mapping and created redundant transformations throughout the distribution process. The carrier needed a single solution that could manage the multiple data tasks occurring at each step in the agent communication process, both internal integration and collaboration with its external distribution channel.

The resulting IT environment is represented by the right side of Figure 4. The single, highly flexible and robust solution handles all of the data integration and mapping—from XML to ACORD, COBOL and more—and exposes backbone COBOL-based mainframe legacy applications by enabling any-to-any data transformation in real time via XML.

This solution helps carriers accelerate the adoption of a canonical data model based on ACORD by simplifying the creation of AL3 and ACORD XML data and by eliminating custom-coded interfaces where programmers had to write Java, COBOL, or C languages. Developers and analysts use a visual environment to quickly create maps and test transformations right from their desktops, reducing both the cost and number of resources needed for transformation. A COBOL transformation that might have taken three weeks to complete can be accomplished in only two days.

The solution's codeless development environment greatly simplifies business integration and dramatically reduces the time to deployment. It also provided the infrastructure needed for straight-through processing (STP), optimized performance with EAI, B2B, and other middleware platforms, and supported SOA initiatives by transforming legacy data to the ACORD standard.

This approach increases competitiveness by allowing the carrier to conform to adopt the ACORD standard and better interface with agents in the field. Usability improved for agents, who were more likely to quote business for the carrier as a result. As the company became easier to work with, agent adoption and retention increased, helping the carrier drive profitable growth.

By implementing Informatica's solution set and taking a more holistic approach to managing data flows across the entire distribution process, a carrier can significantly reduce development cost and time, increase developer efficiency, and improve its ability to support the independent agents selling its insurance products. This suite of tools is providing a solution for managing all the data transformations, mapping, and integrations occurring at each step in the agent communication process. By following this approach, other property and casualty carriers can experience the same benefits.

## Conclusion

In today's market, there is clearly a need for property and casualty providers to maximize the effectiveness of their distribution channels. But profit growth, expense reduction, and operational efficiency won't come by investing in more point solutions to handle disparate steps of the data exchange process. Carriers need to follow the lead of companies such as Fireman's Fund that have taken a holistic, data-centric approach to interacting with agents. It not only reduced costs and ongoing support of its distribution channel but also achieved the IT flexibility and business agility needed to adapt to a changing marketplace—a true competitive advantage.

As carriers evaluate projects and initiatives associated with carrier/agent connectivity—such as real-time processing, front- to back-office integration, or downloads from policy systems back to agents—they should consider the journey that data takes from agent to carrier and back. Imagine the cost savings, process efficiency, and ease of doing business that could be achieved by investing in a single platform.

## **ABOUT SMA: STRATEGY MEETS ACTION**

Exclusively servicing the insurance industry, SMA is a new breed of strategic advisory firm offering a unique blend of research, advisory and consulting services to both insurance companies and solution providers. By leveraging best practices from both the management consulting and research advisory disciplines, SMA's advisory service offerings are actionable business-driven and research-based where strategy meets action. Additional information on SMA can be found at [www.strategymeetsaction.com](http://www.strategymeetsaction.com).

## **ABOUT INFORMATICA**

Informatica Corporation is a leading provider of enterprise data integration software. Using Informatica products, companies can access, integrate, migrate, and consolidate enterprise data across systems, processes, and people to reduce complexity, ensure consistency, and empower the business. Informatica supports transformation of any document or file to and from insurance standards while enabling the management and monitoring of data going to and from these agents/distributors. More than 3,600 companies worldwide rely on Informatica for their end-to-end enterprise data integration needs, including 91 of the Fortune 100 companies. Eighteen of the top 22 insurance organizations are Informatica customers.





Worldwide Headquarters, 100 Cardinal Way, Redwood City, CA 94063, USA  
phone: 650.385.5000 fax: 650.385.5500 toll-free in the US: 1.800.653.3871 [www.informatica.com](http://www.informatica.com)

Informatica Offices Around The Globe: Australia · Belgium · Canada · China · France · Germany · Japan · Korea · the Netherlands · Singapore · Switzerland · United Kingdom · USA

© 2009 Informatica Corporation. All rights reserved. Printed in the U.S.A. Informatica, the Informatica logo, and The Data Integration Company are trademarks or registered trademarks of Informatica Corporation in the United States and in jurisdictions throughout the world. All other company and product names may be trade names or trademarks of their respective owners.

6951 (05/13/2009)