

Innovation in Action

... Insurer Highlights

An SMA Research Brief

This SMA report features Innovation in Action at Amica Mutual Insurance Company, a 2013 winner of an SMA Innovation in Action Award. Distribution rights have been purchased by Esri.



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Innovation in Action in Insurance

Innovation in insurance is indeed occurring. Exciting things are happening! Insurers are innovating for advantage and using next-generation technologies to stir up the industry as a whole and transforming their individual companies. In the past, this industry has often been characterized as slow and predictable. While there have always been pockets of innovation and transformation that ripple through the market, events and opportunities that call insurers and solution providers to action, the momentum and the energy is different today.

The speed of advancements in information and communication technology is almost unfathomable. Technology is playing an increasingly instrumental and formative role in the way insurance companies process the business and shape product and service offerings. SMA projects that advances in the next decade will have an even more profound and pervasive impact on the business of insurance than those of the past. For some insurers, it is tempting to believe that the business of insurance will not change significantly by 2020 and that product fundamentals, channels, operations, and business models will remain much the same as they are today. The reality is that taking that view may be a grave mistake for insurers that want to survive and thrive in the future.

The changes taking place today and those that are around the corner are particularly relevant for the insurance industry. The impact will be felt across the board — in the design and development of the product and services portfolio, the way the business is marketed and acquired, the way risks are selected and prices are determined, the way contracts are administered and serviced, and the way risks are mitigated and managed.

SMA research shows that very few insurers are standing still. They are either moving forward or falling backward. There is no middle ground. Major players, both large and small, are becoming more aggressive in the pursuit of a competitive edge, using emerging technologies and new solution approaches to assist them. The level of transformation in each organization, and the amount of progress made or not made, is determined by a unique combination of market forces, leadership insight and strategies, and business and technology capabilities. Today, technology decisions and investments have major implications on the degree of success that individual insurers are able to achieve and their ability to compete effectively as the marketplace evolves.

SMA is wholly focused on innovation in the industry – helping insurers find creative solutions to address business opportunities. We continually study the business drivers, plans, and priorities that are incenting more modern business capabilities. We highlight the significant success that is occurring in the industry. SMA's unique approach to analyzing industry trends, best practices, and technology investment patterns and levels delivers new insight into how technology enables profit and growth.

Each year SMA recognizes several insurers and solution providers that demonstrate real progress in deploying next-generation technology for advantage. Nominations for the **SMA Innovation in Action Award for Insurers** are summarized in this document. Winners were announced at the **2013 SMA Summit: INNOVATE for ADVANTAGE**, SMA's annual event held in Boston on September 16, 2013. This unique forum gave participants an opportunity to hear about new success stories and industry directions and to discover novel ways to accelerate innovation and transformation in their own organizations.

SMA is leading the charge to help the industry innovate for greater success.

"Innovation in insurance is indeed occurring. The pace is picking up and exciting things are happening! Insurers are innovating for advantage – stirring up the industry as a whole and transforming their individual companies."

Deb Smallwood
SMA Founder

Amica Mutual Insurance Company

Shift from Reactive to Proactive

Project Overview

Amica Mutual Insurance Company integrated GIS technology (Esri ArcServer) into their existing claims management system (Guidewire ClaimCenter). This allows their claims handlers to quickly see the location of the insured risk (homeowners) and how the claim correlates with the location of the catastrophic event (hail storm, wildfire, earthquake, explosion, etc.)

Key Business Imperatives

Most important to Amica Mutual was to increase the speed and quality of their customer service delivery after catastrophes like hailstorms, earthquakes, and wildfires. The company also wanted to increase accuracy of coverage investigations, increase efficiency of the claims handlers, and decrease loss adjustment expenses.

Project Details

Project Timeline

Esri servers were purchased in April 2012. The real-time CAT Viewer application was released within one month. The integration of maps into the claims system was released in March 2013. The Claims Analysis viewer was expected to be completed before the end of summer in 2013.

Technologies Utilized

The CAT and Claims Analysis Viewers are Silverlight applications. The Guidewire map is a custom lightweight JavaScript map. ArcServer is the backbone of the GIS system – and connects with spatially enabled SQL databases housing policy, claims and CAT data (behind the firewall). Third party data is consumed via web services.

Success Measures

The CAT viewer allows Amica Mutual to provide more proactive service to policyholders. All the branch managers and supervisors have access to it and use it to spot different catastrophic events (hail, windstorm, wildfires, earthquakes, explosions, etc.), in real-time, that could lead to an influx of claims. They can identify those events before the first claim is reported, which allows for a quicker and more appropriate level of response to the needs of policyholders.

The embedded maps in Guidewire provide additional accuracy in handling CAT claims. Maps can be used to identify outliers that are worthy of a detailed site inspection, or to identify claims that are clearly related to the event, streamlining the handling of claims. The location of the individual claim in comparison to the catastrophe feature (hailswath, wildfire perimeter, earthquake shake map, etc.) is easily identified. Service and accuracy improves, while decreasing loss adjustment expenses.

Next-Generation Technologies Leveraged

- MOBILE
- SOCIAL
- CLOUD
- COLLABORATION
- TELEMATICS
- ANALYTICS & BIG DATA
- OTHER – GIS TECHNOLOGY



The Claims Analysis maps provide the ability to see all claims and policies in force for a particular event, so managers and supervisors are able to spot trends and handling deficiencies, or identify fraudulent claims. It is a powerful tool that can be used when evaluating a questionable claim, allowing them to see how other nearby claims were handled, which helps ensure that claims are handled consistently.

Amica hopes to build on this framework and create predictive models that can be used to verify the likelihood of a covered claim and possibly predict the financial outcome of the claim enabling more first-call settlements. All applications have connections with 3rd party data feeds that allow the overlay of a variety of forensic weather data to provide additional context that enables the claims and policy data to tell the story.

How the Success was Measured

Amica has done a few studies after hail events and found it was possible to save insurance adjuster expenses by using the tool to better manage outside adjuster assignments, and better utilize internal staff adjusters. These internal adjusters are now more prepared to handle potentially questionable claims from the outset so they can better prepare themselves and the customer of the investigation needed.

Claims managers have expressed overwhelmingly positive feedback. They now have tools to help solve everyday business problems with a few clicks of the mouse, something which formerly took days. Previously, they would have no idea how many claims might come in after a hail storm. They had to wait for the reports to arrive, assign the claims to local resources until they became overwhelmed and fell behind on inspections. At that time, they would bring in additional resources to assist, which could be weeks into the event. Now, they can identify events that will generate a large influx of claims on day one and bring in the necessary resources to handle all the claims in a timely manner. Amica can secure higher caliber adjuster resources, early in the event, before they are committed to other carriers. The end result for policyholders is a quicker resolution to their claim.

Resulting Success Metrics

Amica has not fully defined all of the key success metrics yet as the technology is still new. They are looking at how many policyholders were proactively contacted after an event. Instead of only speaking with those who have claims (the traditional way of sitting back and waiting for the claims call to come in), Amica is able to speak directly with more individuals in the surrounding areas. Imagine the following dinner party conversation: "My insurance company called me within hours of the tornado to check and make sure I was ok." People have expressed amazement at this personal touch and appreciate it as opposed to the typical practice of using a robo-dialer or automated email notification. The result is a great enhancement to service that helps build trust and loyalty with policyholders. While it is hard to justify the exact value, it is clear to everyone involved that it is significant.

SMA Observations and Commentary

The Amica Mutual success story provides an excellent example of incrementally transforming the claims experience. The initial phase of the transformation focused on the implementation of a modern claims management system. The next phase of the transformation focused on using technology to fundamentally change the way insurance

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transactions are managed and serviced. Armed with the ability to better understand the real situation and the intelligence to initiate appropriate action, rather than wait and react, this insurer has been able to improve results by reducing both loss costs and loss expenses and, at the same time, increase the satisfaction of their customers and market awareness.

SMA Call to Action

SMA's view is that innovation is occurring in the insurance industry with impact that will change the fundamental shape of the competitive landscape in the coming years. Next-gen technologies including mobile, collaboration, analytics & big data, social, and cloud are an important part of the whole picture. Insurers that are not prepared will find they are unable to keep pace. This means that the systems and technologies that support the management, the processing, and the servicing of the business must be agile and adaptable.

There are three critical elements that all insurers and solution providers should be considering with every investment. One, if not all of these elements, are exhibited in the success stories presented in this report.

- **Align business and IT strategies, plans, and priorities.** In today's rapidly changing market and technology environment, there is simply no time for taking the wrong path or for making investments in solutions that won't meet the needs of the business both today and tomorrow.

Many of the transformation and innovation stories highlighted in this report point to two fundamental success ingredients. First, the relationship between the insurer and the solution provider is collaborative and productive. Time spent at the front end of a decision to invest in a solution or an approach yields multiple dividends in the long run. Second, business and IT professionals are working together to choose and implement new solutions. With key stakeholders responsible for the success of a project, there is a higher chance for a solid return on the effort.

- **Incent a culture for innovation.** The easy part of change is to come up with new ideas; the hard part is to step beyond or even turn away from what has worked so well for so long. As employees have become more and more specialized, knowledge tends to get trapped in pockets throughout the organization. Resources are specialized and focused for efficiency. Rarely do employees have or take time to share what they are learning with others in the same or related jobs, much less with those who work in different business areas. It's hardly a situation that is conducive to collaboration. The good news is that insurers are finding ways to foster collaboration. Today, using tools and technologies that facilitate collaboration, insurers are able to work around and through the traditional organizational boundaries to tap into individual and collective knowledge.

It's time for every insurer to look closely at how their IT investments are influencing and nurturing innovation. Next-gen technologies need to be taken seriously. They provide tremendous opportunities to enable the small actions that seed the big picture, and produce the greatest returns.

- **Create an agile foundation.** In the never-ending quest to keep the business up to date and in step with customer and partner demands and expectations, the need for innovative thinking, active imagination, and fresh approaches are challenging insurers now more than ever. Insurers are not only facing a raised bar for customer satisfaction, they are seeing a whole new way of doing business emerge.

The key watchword for the next decade is agility. To gain and maintain market share and keep the business operating with a satisfactory profit level, solutions and architectures will need to be adaptable, flexible, fluid, responsive, and more. The architecture is becoming an increasingly important factor in determining agility.

There is no question that it is a time of many challenges for the industry. While it is easy to view the business climate through the glass-half-empty lens, it is important to note that the glass-half-full lens likely presents the most realistic picture. Opportunity abounds. More solution options are available now than could be imagined a mere five years ago – many made possible thanks to next-gen technologies. There are novel ways to reach and excite customers. Expanding readily-accessible information and sophisticated analytics are providing insights to improve decision-making at every level of the business. Collaborative working environments with fluid and open boundaries are capitalizing on the power and energy of small, as well as large, groups to harness and harvest the best of the ideas – the ones that will return the greatest value to the company.



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