

From the Editor

by Robert L. Siems, J.D., CPCU



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This is the first edition of your *Cutting Edge* for 2005. A majority of the contents consists of your section's 2004 CPCU Society Information Technology Survey. Do not miss this opportunity to read through it and take pride in the professionalism. Committee member **Christopher H. Ketcham, CPCU, CIC, CRM, CISR, CFP®**, senior vice president, The National Alliance Research Academy in Austin, Texas, has produced an incisive look into our society and its growing reliance on information technology.

Using the Time Element Track as a common platform, the Information Technology Section presented "Business Continuity Planning—An Information Technology Perspective" at the recent CPCU Society 60th Annual Meeting and Seminars in Los Angeles. The time element track used a common catastrophic event that set the stage for a number of related seminars. **Douglas J. Holtz, CPCU, CIC**, has prepared a thoughtful summary.

The Information Technology Section also presented a seminar on agency/company automation. Committee member, **Michael J. Highum, CPCU**, has written a valuable synopsis.

Lynn M. Davenport, CPCU, AIC, AIM, AIS, AIT, has contributed a nice introduction to "podcasts" for you. Look at her description of the technology and prognostication on where it may lead.

Please welcome a tremendous addition to our newsletters team of editors. An introduction to **Bruce D. Hicks, CPCU, CLU**, is inside.

We are fortunate to be viewed by the IT industry as a newsletter with value to add to its readers. The latest industry insights are found in submissions from Unisys and NCR.

Finally, a prolific **Lynn Davenport**, has added a helpful piece on decision support systems.

Your committee meets again in Phoenix, AZ, on April 16. At about then, the second edition of *Cutting Edge* is due. If you have a subject that you think merits attention at the meeting or in the next issue, please e-mail bobsiems@lawrls.com or hixfam@hotmail.com. The committee and the editors of this newsletter are committed to serving you! ■

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Business Continuity Planning— An Information Technology Perspective

The Information Technology Section presented “Business Continuity Planning—An Information Technology Perspective” at the CPCU Society’s 60th Annual Meeting and Seminars in Los Angeles. The presentation was made as part of the series of Time Element Seminars.

The five time element presentations used a single scenario as their focus. The scenario was a comet crashing through the atmosphere, breaking into pieces, and striking Southern California. As part of the catastrophe, California Pacific Celestial University (CPCU), is devastated, with major damage to its dormitories, classrooms, research labs, virtual university services, and to the infrastructure supporting the university. This catastrophic case study presented many learning opportunities to the seminar participants as panels of industry experts structured their presentation around portions of the story line.

The Business Continuity Planning panel included **Stacey Roberts**, **John Draper**, and **Doris Gin**. Roberts, the founder of Computer Systems Management (CSM) specializes in serving independent insurance agents and is an AMS preferred vendor. He has been a featured speaker at many seminars focusing on the needs of insurance agency automation.

Draper is vice president of technology research with AMS Services, Inc., where he works on technology research, applications, new operating systems, and the interaction of AMS software systems with user hardware.

Gin is the director of professional services with Sungard Availability Services. Her expertise is in information system business continuity, information security, disaster recovery techniques, and related areas.



Stacey Roberts, founder of Computer Systems Management, spoke about the needs of insurance agency automation.

The seminar addressed business continuity planning with a focus on information technology needs. The planning process involved the following:

Crisis Management Planning

- Reviewing disaster pre-planning needs from an IT perspective.
- Analyzing and measuring exposures faced by the disaster.
- Evaluating risk handling and risk control techniques.

Emergency Response and Business Resumption

- Activating the emergency response team.
- Implementing the business stabilization plans.
- Implementing the business resumption plans.

Rebuilding the Organization

- Developing the organizational IT survival plans.
- Rebuilding to meet immediate short-term needs.
- Preparing the organization for future growth.

The audience enjoyed the unique perspective created by the seminar series’ common theme. The presenters, with their different backgrounds and areas of expertise, were able to discuss a variety of techniques and solutions with the audience for use in their own applications. ■

Annual Meeting Seminar Focuses on Agency/Company Automation

by Michael J. Highum, CPCU

As one of several quality seminars offered at the CPCU Society's 2004 Annual Meeting and Seminars in Los Angeles, the Information Technology Section Committee presented a seminar focusing on agency/company automation.

Michael Byam, CIO, of Hartford Financial Services Corporation and **Hugh Anderson**, AMS Services' Director of Interface and Integration, spoke about the increased technological demands being placed on independent agencies. The challenges involve interface, technical support, Single Entry Multiple Company Interface (SEMCI), and automation obsolescence. Byam and Anderson discussed these issues, and suggested that continued collaboration among carriers, agencies, and service providers is critical.

In delivering its products and services to clients, AMS concentrates on making the navigation of carrier proprietary systems as easy as possible for the user. Specifically, AMS sees opportunities in workflow automation coming from download functions, sales transactions, service transactions, and web site sign-on and navigation. More than 45 insurance carriers have partnered with AMS to

provide real-time connectivity to carrier systems allowing agency customers fast and accurate processing and inquiry applications. This system, called TransactNOW, allows real-time inquiries, immediate endorsement processing, and accurate quote submission directly from the agency's management system. Through this and other functionality improvements, Anderson reinforced the continued efforts being made by AMS and other service providers to positively impact the automation relationship between carriers and agencies.

■ ***More than 45 insurance carriers have partnered with AMS to provide real-time connectivity to carrier systems allowing agency customers fast and accurate processing and inquiry applications.***

Michael Byam commented on the evolution of carrier systems relative to agency/company integration. The first generation was comprised of dial-up or PC-based systems that required batch upload and a traditional quote-and-submit framework. The second generation encompasses much of the technology that agencies and carriers are using today. It features web-based systems that, while allowing real-time quoting and submitting, also has limited bridging between carrier and agency systems. Byam stated that carriers are working on the next generation, which will further enhance technology workflows. Some of its features will include a web-services framework that will seamlessly integrate all submission and service transactions. This level of functionality will be achieved mainly through the full partnership and collaboration with today's agency management service providers.

Both speakers made it clear that insurance industry workflows must continue to evolve in order to meet the demands of a fast-changing business landscape. Agencies, carriers, and service providers all agree that meeting increasing customer expectations, working toward a real-time environment, and dramatically reducing redundant, time-consuming processes are a must. Through effective partnership and collaboration by these parties, the goals will most certainly be achieved. ■



Michael Byam, CIO, of Hartford Financial Services Corporation and Hugh Anderson, AMS Services' Director of Interface and Integration, discussed the increased technological demands that independent agencies are facing.

Podcasting: Will It Change the Way Businesses Communicate?

by Lynn M. Davenport, CPCU, AIC, AIM, AIS, AIT



■ **Lynn M. Davenport, CPCU, AIC, AIM, AIS, AIT**, is a claim team manager with State Farm Insurance Companies in Greeley, Colorado, whose team of specialists handle water claims for policyholders in three states. Davenport, who has been with State Farm in the claims and technology arena for 16 years, previously was a project manager responsible for implementing new claims technology and processes; and also managed a team of innovators who supported claims technology and processes. She earned an M.B.A. in knowledge and learning management through Walden University in 2004; and has a B.A. in psychology from St. Mary's College, Notre Dame, Indiana. A member of the CPCU Class of 1999, Davenport is an active member of the Colorado Chapter as well as the IT Section Committee. She served on the CPCU Society's Distance Mentoring Task Force, and was recently appointed vice president of Walden University's Sigma Iota Epsilon (SIE) business honors chapter. In her spare time, she enjoys mentoring, skiing, shopping, traveling, and spending time with her husband, Dave, and their two children.

Imagine . . . those young travelers in the seats next to you on an airplane plugged into their portable media player (such as an iPod or other MP3 gadget), oblivious to the noises around them. Little did you know they were listening to a podcast about your company's product. Or imagine downloading your company's CEO podcast and shareholder update so you can listen during your daily commute rather than staying late at work. What???

The number of "podcast" listings on Google skyrocketed from 24 to 14,000 during the month of October 2004.¹ Now there are more than one million listings on Google.² A Boston podcast grew from five downloads to 60,000 in just two months.³

Podcasting is not yet mainstream but started to quickly gain attention in late 2004. Remember when MTV revolutionized the music generation in the 1980s? Well today, former MTV veejay Adam Curry is fueling the MP3 generation after last year's introduction of his iPodder software. It allows you to download audio shows from the web to a portable player (or pod). The possibilities are endless for consumers and businesses interested in personalized media and widespread audio communication.

How does a podcast work? Creating a podcast is simple using Really Simple Syndication (RSS) software, which sends an online broadcast file to subscribers without anyone having to visit a web site. The content is then available for downloading into a mobile device to listen to at the user's convenience. The result is broadcast radio with no time-sensitive constraints since it can be heard offline. Various web sites such as www.ipodder.org or www.audio.webblogs.com offer podcasts from National Public Radio stations, the online edition of the *New York Times*, and everyday blogs.

So what's in it for businesses? Potential rewards are significant, considering the widespread access points of the Internet

and mobile devices. Yet podcasting also includes some great risks. Anyone with Internet access and inexpensive software can create a podcast. Perhaps your satisfied customers serve as a grass-roots advertising campaign for you. On the other hand, some dissatisfied customers could podcast their blogs with complaints about your company. What about the potential podcasts made by overly enthusiastic or disgruntled employees? As podcasts become more prevalent, will information security policies require expansion to cover these scenarios?

Early adopters in the marketing arena are seeking ways to best market through podcasts. Typically, advertisements are embedded in the podcast so they are less disruptive. Marketers targeting youthful consumers may find podcasts an innovative and inexpensive way to tap into that audience.

Companies may consider developing podcasts to provide added value to customers, employees, and shareholders. Company information can be downloaded for listening at the end user's convenience. Information may include educational segments such as financial planning and tips, auto safety, home maintenance reminders, and other topics.

The potential is there, the interest is growing, the question remains: will podcasts become a profitable way for businesses to expand their communication and marketing efforts? That answer is yet unknown, but may be worth experimenting with. ■

Endnotes

1. www.BusinessWeek.com, October 25, 2004.
2. Duncan Riley, "Forbes Names VideoBlogs as a Top Tech Trend for 2005 (and why they are wrong)," www.blogherald.com, January 19, 2005.
3. "Pod Prods," www.CIO.com, December 20, 2004.

2004 CPCU Society Information Technology Survey: Executive Summary and Analysis

The study was commissioned and conducted by the CPCU Society's Information Technology Section. The study invited 25,694 CPCU Society members with e-mail addresses to participate. Nine percent or 2,332 completed the survey between July 15, 2004 and August 1, 2004.

Demographics of Respondents

Organizations

- Insurers and reinsurers—69%
- Agents and brokers—21%
- All other organizations and retired—10%

Position within Organization

- Owner, officer, manager, and supervisor—51%
- Technical, professional, and account executives—26%
- All other positions within organizations and retired—23%

Discipline within Organization

- Underwriting—25%
- Claims—22%
- Agent/broker/sales—15%
- Information technology—5%
- Administration/management—5%
- All other disciplines and retired—28%

Age

- Under age 30—2%
- Ages 30 to 39—15%
- Ages 40 to 49—35%
- Ages 50 to 59—39%
- Ages 60+—9%

How Many Years in the Insurance Business

- 2 to 5 years—2%
- 6 to 10 years—7%
- 11+ Years—91%

How Many Years in Current Position

- 0 to 1 years—12%
- 2 to 5 years—39%
- 6 to 10 years—22%
- 11+ years—26%

Country of Primary Place of Employment

- USA—99%
- Asia, Bermuda, Europe, Japan, and South America—less than 1%

Year CPCU Earned

- 1990 or later—70%
- 1989 or earlier—30%

Information Technology Productivity Findings

Recent¹ changes in computer software at the organization have affected respondent personal productivity in the following ways:

- Increased or greatly increased personal productivity—72%
- No effect on personal productivity—22%
- Decreased or greatly increased personal productivity—6%

Recent² changes in computer hardware at the organization have affected respondent personal productivity in the following ways:

- Increased or greatly increased personal productivity—62%
- No effect on personal productivity—37%
- Decreased or greatly increased personal productivity—2%

Overall current hardware and software configurations at the organization affect respondent productivity:

- Increased or greatly increased personal productivity—79%
- No effect on personal productivity—15%

- Decreased or greatly increased personal productivity—5%

“Road Warriors”³ found recent software changes to have no effect on productivity 14 percent of the time while “Minimally Configured”⁴ found no effect on productivity 22 percent of the time. For recent hardware changes, 25 percent of “Road Warriors” found no effect on productivity, 36 percent of “Minimally Configured” found no effect on productivity. Overall, 9 percent of “Road Warriors” and 15 percent of “Minimally Configured” participants feel that hardware and software at their organizations has no effect on their productivity.

Productivity Analysis

While 6 percent or fewer of all respondents find that existing configurations or changes to hardware and software have had a negative impact upon productivity, a fairly significant percentage feel that hardware (37%) and software (22%) changes have had no impact upon productivity. Certainly some of these changes are in response to operations such as security or Y2K, which may have little direct impact upon day-to-day productivity. The same applies to new equipment that may be replacements for hardware that has reached lease expiration. However, the size of this “no effect” group requires further study to answer the following questions:

- Were hardware and software changes designed to improve productivity successful or not?
- Did hardware and software changes designed to reduce cost actually reduce cost or not?
- What were the other reasons why hardware and software changes were made and were specific and identifiable goals achieved or not?
- What is the difference between the organizations where “Road Warriors” work and “Minimally Configured”

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work and how does the availability or lack of hardware affect actual productivity and productivity perception?

Hardware Used on the Job



Eighty-three percent of all participants used desktop and 50 percent of all participants used a laptop computer in their jobs. Companies pay for 99 percent of desktop computers, computer

projectors, and printers. Other hardware is paid for by the participant or costs are shared with the company:

- PDA—respondent pays or company/respondent share—46%
- Cell phone—respondent pays or company/respondent share—42%
- Notepad computer—respondent pays or company/respondent share—11%
- Laptop computer—respondent pays or company/respondent share—6%
- Dual monitors—respondent pays or company/respondent share—4%

“Road warriors” represent 7 percent of the respondents. Twenty-four percent of education and training and business owner or manager participants were classified road warriors, while only 16 percent of information technology, 13 percent of sales and marketing, 5 percent of underwriting, and 4 percent of claims were classified as road warriors.

Eighty-two percent of all respondents were within the classification of “minimally configured.”

One percent of all respondents use a mainframe terminal.

Data Quality and Availability Findings

- Sixty-nine percent of owner, officer, manager, and supervisor respondents identified data quality as a key business initiative, but only 36 percent participate in the data quality initiative.
- Eighteen percent of professionals, account executives, and technical respondents participate in a data quality initiative.
- Sixty-nine percent of insurer and reinsurer respondents and 57 percent of agents and brokers have identified data quality as a key business initiative.
- Greater than 89 percent of all respondents in all categories definitely or somewhat do have access to timely and accurate business information.
- Greater than 57 percent of owner, officer, manager, and supervisor and professionals, account executives, and technical respondents definitely or somewhat do have concerns about data quality. Insurers and reinsurer respondents had similar concerns 59 percent of the time while agent and broker respondents were concerned 53 percent of the time.
- Owner, officer, manager, and supervisor:
 - Eighteen percent of owner, officer, manager, and supervisor respondents have a data quality unit and definitely or somewhat had concerns about data quality.
- Twenty-three percent of owner, officer, manager, and supervisor respondents do not have a data quality unit and are definitely or somewhat concerned about data quality.
- Sixteen percent of owner, officer, manager, and supervisor respondents have a data quality unit and are definitely or somewhat don't have concerns about data quality.

- Professional, technical, and account executive respondents:
 - Twenty-one percent of professional, technical, and account executive respondents have a data quality unit and definitely or somewhat had concerns about data quality.
 - Fifteen percent of professional, technical, and account executive respondents don't have a data quality unit and definitely or somewhat had concerns about data quality.
- Twenty-one percent of owner, officer, manager, and supervisor respondents have a data quality unit and definitely or somewhat don't have concerns about data quality.
- Insurers and reinsurers, agents and brokers:
 - Twenty-two percent of insurer and reinsurer respondents don't know whether there is a data quality unit and definitely or somewhat have concerns about data quality.
 - Nine percent of agent and broker respondents don't know whether there is a data quality unit and definitely or somewhat have concerns about data quality.
 - Twelve percent of insurer and reinsurer and 14 percent of agent and broker respondents have a data quality unit and definitely or somewhat have concerns about data quality.

Data Quality Analysis

Where data quality is identified as a key business initiative, only one-third of owner, officer, manager, and supervisor respondents participate in data quality initiatives, and only one-sixth of account executive, professional, and technical respondents participate in data quality initiatives. Involvement in data quality should occur at all levels in the organization where data are input and/or used on a regular basis. Therefore, the participation of all who use or create data is essential to any data quality initiative.

The following questions arise:

- How are data quality initiatives defined—what are they looking for; what are their goals; is the initiative permanent or focused on one or more data sets, i.e. acquired data external to the organization?
- What role do information technology staff play in data quality initiatives—are they expected to be the arbiters of what is quality and what is not?
- What is management's role in data quality?
- How have data quality initiatives been communicated within the organization?

Reports

- Eighty-one percent of owner, officer, manager, and supervisor respondents feel that systems generated reports are very useful or useful in their jobs. Three percent of owner, manager, and supervisor respondents feel that system-generated reports are not useful or are a complete waste of time.
- Seventy-two percent of account representatives, professional, and technical respondents feel that system-generated reports are very useful or useful in their jobs. Six percent of account representatives, professionals, and technical respondents feel that system-generated reports are not useful or are a complete waste of time.
- Seventy-two percent of insurer and reinsurer respondents feel that system-generated reports are very useful or useful in their jobs. Four percent of insurer and reinsurer respondents feel that system-generated reports are not useful or are a complete waste of time.
- Sixty-six percent of agent and broker respondents feel that system-generated reports are very useful or useful in their jobs. Two percent of agent and broker respondents feel that system-generated reports are not useful or are a complete waste of time.
- Twenty-three percent of all respondents do not receive reports that they believe would be useful in their job.

Reports Analysis

Data quality initiatives are also concerned with report availability, relevancy, and quality. Less than three-quarters of technical, professional, and account executives believe that the reports they receive are useful, and nearly a quarter of all participants do not receive the reports that they need.

Questions arise:

- Are those who receive inadequate or non-relevant information empowered to make decisions, and if so, would better reports or additional data help participants make better decisions?
- Why are perceived necessary reports not available to a quarter of participants?
- Are reports included in data quality initiatives now in place?
- Why do only two-thirds of agents and brokers believe reports they receive are useful in their jobs? Are these agency/broker automation system-generated reports or are they insurer or other external-party-generated reports?

Internet, Intranets, and Extranets

- Three-quarters of respondents have dial-up or VPN access to company networks while only 14 percent of respondents have wireless access.
- Ninety-four percent of all respondents have virus software; 44 percent have popup blockers, and 75 percent have spam filters and quarantine suspicious e-mail attachments. While virtually all respondents have virus software, 40 percent have concerns about viruses, 11 percent have concerns about privacy, and 4 percent about identity theft and hackers.
- One percent of all respondents are prohibited from Internet access on the job.

Functional Workstations and Automated Underwriting/Claims

- Thirty-two percent of insurer and reinsurer respondents have both a

functional workstation and automated underwriting.

- Four percent of insurer and reinsurer respondents have neither a functional workstation nor automated underwriting.
- Sixty-three percent of respondents have a functional workstation in claims.
- Sixty-one percent of respondents are paperless to some extent in claims or underwriting.
- Fifteen percent of underwriter respondents are paperless to some extent and do not see 50 percent of accounts because of automated underwriting.
- Thirty-two percent of respondents don't know whether they are paperless or whether they have an automated underwriting process.

Functional Workstation and Automated Underwriting/Claims Analysis

As functional workstations, automated underwriting, and paperless functionality become more prevalent, the cost to benefit ratio of such initiatives including productivity gains and effect on underwriting results (automated underwriting) should be explored. The fact that nearly a third of participants do not know whether paperless processes or automated underwriting exists points to possible communications issues or a lack of understanding of the terms.

Systems Training and Help Desk Quality

- Forty-six percent of respondents receive complete and effective training after systems or programming changes are implemented.
- Forty-five percent of respondents receive incomplete or less than effective training after systems or programming changes are implemented.
- Eighty-one percent of owner, officer, manager, and supervisor and 80 percent of account executive,

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technical, and professional respondents feel that hardware help desk quality is good or excellent. Eight-two percent of insurer and reinsurer and 74 percent of agent and broker respondents feel that hardware help desk quality is good or excellent.

- Seventy-four percent of owner, officer, manager, and supervisor and 86 percent of account executive, technical, and professional respondents feel that software help desk quality is good or excellent. Seventy-eight percent of insurer and reinsurer and 68 percent of agent and broker respondents feel that software help desk quality is good or excellent.

Systems Training and Help Desk Quality Analysis

Less than half of all respondents receive effective training after systems or programming changes are implemented. The impact upon productivity after change can be significant. The question becomes:

- What is the training and why is it inadequate?
- Would more adequate training after systems training is implemented reduce costs by improving productivity more rapidly?

Only two-thirds of agents and brokers feel help desk software quality is good or excellent.

- To what extent do agents and brokers have internal help desks—external i.e. agency automation vendor help desks. Are there differences in quality between them?
- What sorts of improvements do agents and brokers need in software help desk quality?

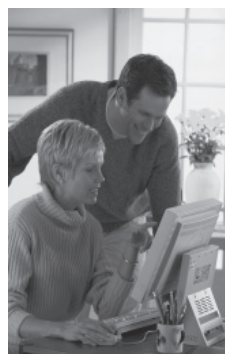
Technology Issues and Concerns at the Company

- Privacy:
 - Privacy was the number-one issue for more than half of all respondents,

more of an issue for insurer and reinsurer respondents than agent and broker respondents.

- While 59 percent of owner, officer, manager, and supervisor respondents are aware of privacy as an issue, only 43 percent of these respondents are involved in privacy compliance issues.
- Business and performance management:
 - The second most prevalent issue at 47 percent was business and performance management.
 - While 50 percent of owner, officer, manager, and supervisor respondents are aware of business and performance management as an issue, only 65 percent of these respondents are involved in business and performance management issues.
- Thirty-two percent of respondents are aware of Sarbanes-Oxley, and 31 percent of respondents are aware of enterprise resource planning as issues. Only 39 percent of owners, officers, managers, and supervisor respondents were aware of Sarbanes-Oxley as an issue, and only 44 percent of these respondents were involved in Sarbanes-Oxley issues.
- Enterprise risk management was an issue for 23 percent of respondents, however only 30 percent of these respondents were involved in enterprise risk management.

Technology Issues and Concerns Analysis



While all of the technology issues are enterprise-wide in nature, three bear further study. While more than half of management respondents are aware of privacy as an issue, only 25

percent of all management respondents are involved in privacy issues. Slightly more than a third of management respondents are aware of Sarbanes-Oxley as an issue but only 12 percent of all management respondents are involved in Sarbanes-Oxley issues. Both of these issues have legal tentacles involving the entire organization, especially management and questions arise as to how much attention companies and agencies are paying to these two issues.

Enterprise risk management by definition involves the entire enterprise and all of its employees. Yet of the 23 percent of respondents who are aware of enterprise risk management as an issue, less than a third are actually involved in enterprise risk management. Questions arise as to whether enterprise risk management is just an issue under discussion or is a process that has been “implemented” within the organization. If enterprise risk management is a process that is occurring within the organization—to what extent is the entire enterprise aware of its existence?

Buzzwords

Productivity, compliance, and e-commerce are the three buzzwords heard most often by respondents. SEMCI has a greater buzz with agency and broker respondents than insurer and reinsurer respondents, and data integrity has a greater buzz with insurer and reinsurer respondents than agent and broker respondents.

Tools Used to Better Enable Decision-Making

Ad hoc reporting and data warehousing were the most prevalent tools listed by respondents. However, “none of the above” was the most chosen tool at 37 percent for account representative, professional, and technical staff, followed by data warehousing and ad-hoc reporting.

As with the data quality issues, questions arise whether technical, professional, and

account representative staff are aware of available tools or have been adequately trained on how to access these tools that are useful for better decision-making.

International Issues

- Seventy-five percent of respondents do not work internationally.
- Of those respondents who do work internationally, 12 percent have experienced no challenges.
- Time zones at 11 percent, language at 9 percent, and incompatible systems at 7 percent were the major challenges facing participants who work internationally.
- The greatest challenges were faced in the U.S./Canada and Europe (4 percent), and India/Pakistan, Asia, and Mexico (at 2 percent).
- Forty-three percent of all respondents outsourced some information technology services.
- Twenty-eight percent of respondents indicated that their organizations outsource software, 15 percent outsource systems maintenance, 6 percent outsource servers and data services, 5 percent customer service, and less than 5 percent outsource data warehousing, claims service, and other services.
- The most popular outsourcing country was U.S./Canada at 23 percent, India at 21 percent, followed by Europe at a distant 2 percent.

Disaster Instructions to Participants

- Just over half the participants have been given instructions as to what to do after a disaster.
- Of those who have been given instructions, 35 percent of respondents are to report by telephone to an alternate location and 22 percent of respondents are to report to a local contact. Twelve percent of respondents are to work from home.
- Twenty-three percent have concerns about recovering data after a disaster.

Disaster Instruction Analysis

After September 11, 2001, companies in New York, NY, realized that they had inadequate disaster plans. Few had planned for anything other than fire, and when the area around the disaster was quarantined for days and communications hampered, many businesses could not account for employees for days. The same problem occurs with hurricanes and other disasters. Companies should develop comprehensive disaster plans and communicate them to employees. These disaster plans include addressing and communicating data integrity and alternate workstations plans after the disaster.

Training Issues

- Seventy-nine percent of respondents have classroom training at the company. All respondents regardless of age or other recorded factors felt that classroom was the most effective form of training.
- Sixty percent of respondents do self-study training at the company. All respondents felt that next to classroom, personal study was the most effective form of training.
- Computer-based training was the next most popular form of training at the companies, and ranked in the middle as an effective form of training.
- Videoconferencing and videotape training were less prevalent, and webinars were last on the list of training conducted at the companies. Respondents under the age of 30 ranked computer-based training after classroom and self-study as effective. Respondents over the age of 40 ranked webinars as the least effective form of training. Videoconferencing had especially low effectiveness scores for all participants.

Training Analysis

As companies move away from classroom training for “less expensive” alternatives, the question arises whether there is long-term greater return on a classroom learning investment than technology-

based training programs. Self-study is a concern for many companies with non-exempt employees, but presents the same issues as classroom and technology-based training when it comes to time commitment.

Videoconferences may score low because the technology is not always reliable. Further analysis is necessary to determine the issues.

Computer-based training scores in the middle in effectiveness, but webinars have mixed results. Seventy-two percent of respondents (500 respondents) who have webinars in their organization found webinars to be most or somewhat effective and only 6 percent of the same found webinars to be not effective or totally ineffective. Only 41 percent of those respondents (1,380 respondents) who do not have webinars in their organizations found webinars to be most or somewhat effective, and 14 percent found webinars to be not effective or totally ineffective. Further exploration of what technology and techniques are being employed in webinars is necessary to determine the issues:

- Are there some computer-based training programs or webinar environments that are more effective than others?
- Is there a misunderstanding or technological aversion to webinars? ■

Endnotes

1. Note: The term “recent” was not defined and could include any time period from just installed to within the past few years. The greater the time span between installation and today, the greater the possibility for productivity improvement.
2. Ibid.
3. “Road Warrior” is defined as a participant having a desktop, laptop, or notebook computer plus a printer, cell phone, PDA, and a computer projector at the job.
4. Minimally configured is defined as participant who has a desktop or laptop plus a printer at the job.

IT Section Committee Spotlight— Bruce D. Hicks, CPCU, CLU



■ **Bruce D. Hicks, CPCU, CLU**, is a senior editor at The Rough Notes Company Inc. in Carmel, Indiana.

My insurance career began in January 1981, about a year and a half after graduating with a business administration degree from St. Joseph's College (Indiana). At that point, my then-current career as a Wendy's restaurant assistant manager had lost some of its appeal. I visited a library to look up information on other careers and I came across a job title that sounded interesting . . . "underwriter." I ended up looking through the classifieds for insurance ads and I sent a résumé to a local insurance company. The result? I was called in for an interview and was hired as a territorial underwriter for Economy Fire and Casualty Company.

From there, I was a personal lines underwriter for The Hartford, Hanover, and later Meridian Insurance. While at Meridian, I was promoted to underwriter specialist and my duties switched from being hated by agents and claims people, to being hated by underwriters and state regulators . . . the change was a dream come true. A couple more job hops landed me at my current employer, The Rough Notes Company. I'm a senior editor in its technical and educational products area. My main duties involve writing and editing a variety of property and casualty insurance texts, reference manuals (PF&M analysis), and Internet-based products. I also write columns and articles for *Rough Notes* magazine.

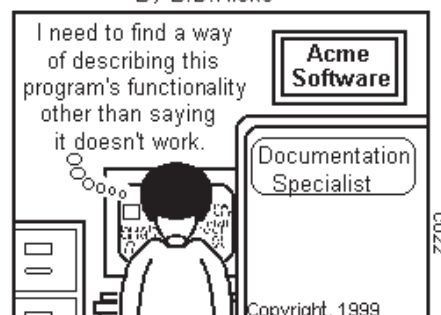
I received my CPCU designation in 1986 and my CLU in 1989. Although I've been a CPCU a long time, it has only been fairly recently that I've been actively involved. Besides three years of chairing the Central Indiana Chapter Research Committee (with two projects appearing in the *CPCU Journal*), I am an inaugural member of the Society's Diversity Task Force and the IT Section Committee.

Beyond the world of insurance, my wife Sue and I are surprisingly close to having four teenagers in our house at one time (the youngest soon turns 12) and we can hardly wait! Three moody, combative teens just aren't enough. Besides active volunteering for church and school, I give drum lessons, am involved with the Indianapolis band scene, and I'm also a published cartoonist.

I am genuinely enjoying my active involvement with the CPCU Society, and especially look forward to working with the other members of the IT Section Committee. I hope that I can add some value to this section. I promise to give it my best effort. ■

Liten Up!

By B.D.Hicks



Bullets from October 2004 Teradata Survey of Senior Business Executives

by Patricia L. Saporito, CPCU



■ **Patricia L. Saporito, CPCU**, chairman of the IT Section, is a senior property-casualty insurance consultant for Teradata where her responsibilities include business development, business strategy consulting, and strategic alliances in the property and casualty area.

The Teradata study was fielded by BuzzBack online market research between July 23 and August 3, 2004, querying 202 executives, with follow-up conducted September 3-9, 2004. Fifty-one percent are vice presidents or hold higher titles including chief executive officer, chief operating officer, chief marketing officer, chief technical or information officer. Sixty-seven percent are with companies that have annual revenue of \$1 billion or higher. A broad range of industries and functional departments were represented.

Teradata, a division of NCR Corporation (NYSE: NCR), is the global technology leader in enterprise data warehousing, analytic applications, and data warehousing services. Organizations around the world rely on the power of Teradata's award-winning solutions (www.teradata.com) to get a single, integrated view of their business to enhance decision-making, customer relationships, and profitability.

NCR Corporation (NYSE: NCR) is a leading global technology company helping businesses build stronger relationships with their customers.

NCR's ATMs, retail systems, Teradata® data warehouses, and IT services provide Relationship Technology™ solutions that maximize the value of customer interactions and help organizations create a stronger competitive position. Based in Dayton, Ohio, NCR (www.ncr.com) employs approximately 29,000 people worldwide.

Business decision-making is in crisis, according to senior executives of large corporations queried by Teradata. Continuing trends show executives making more complex decisions in less time, flooded by data, with leading companies moving toward enterprise analytics.

- Three-quarters (75 percent) of the senior executives of top U.S. companies—67 percent with annual revenues exceeding \$1 billion—said that the number of daily decisions has increased over last year, slightly more than in the previous two studies. For three consecutive years, Teradata's surveys have found that the increase in data is compounding, with 97 percent to 100 percent of respondents saying that data is increasing, and well over half saying data is doubling or tripling over the previous year (57 percent in 2004). And greater than 50 percent said that decisions are more complex this year

than last year.

- “These findings tell us why companies today are moving enterprise analytics to the top of their priority lists,” said Bob Fair, Teradata's chief marketing officer. “The overwhelming majority of respondents, more than 70 percent, say that poor decision-making is a serious problem for business. The top casualties of poor decision-making are profits, company reputation, long-term growth, employee morale, productivity, and revenue.”
- This year, Teradata analyzed results from two distinct groups, those who rate their decision-making capabilities as excellent—“decision champions”—and those who rate their capabilities as poor—the “decision-challenged.”
- “Seventy-five percent of decision champions say that the right information is available when they need it and that they get information fast enough to help make decisions, compared to only 19 percent of the decision-challenged,” said Fair. “Seventy percent of decision champions said that it is easy to navigate, understand, and use available information, versus only 6 percent of the decision challenged.”
- “According to the analysis, a key difference between the two groups is that 75 percent of the decision champions say they have a centralized enterprise data warehouse, while only 19 percent decision-challenged do,” Fair commented. “These sharp contrasts confirm what we're seeing in the marketplace with our customers—that the best companies are making enterprise analytics a top priority. In addition, the majority of all respondents to our survey said that enterprise data warehousing would improve many facets of business, including long-term growth,

Continued on page 12

Bullets from October 2004 Teradata Survey of Senior Business Executives

Continued from page 11

profitability, productivity, and customer service.”

- Other studies conducted earlier this year by Teradata also show that the decision-making crisis is global, with European and Chinese executives expressing similar concerns.

Reflections on implications for the insurance industry from Patricia L. Saporito, CPCU, insurance industry director for Teradata, and chairman of your IT Section:

- The insurance industry is making significant investments to leverage and address the growth of data in the industry.
- Most insurers are looking at an enterprise data strategy to address

integrating current silos of data, replacements for legacy policy and other administrative systems, and new applications like underwriting and claims workstations.

- They are also looking at expanded use of analytic applications for customer relationship management; distribution management; risk management including pricing, product development, fraud and abuse, portfolio management, and enterprise risk management; operations management including underwriting, claims management, and customer service; financial management including profitability, expense management, revenue realization, consolidated reporting, and

financial analysis; assets and liability management; and legal and regulatory compliance.

- They are using more analytics in operational decisions in near real time, especially in areas such as underwriting and claims.
- Data governance, stewardship, and quality are increasing in importance as companies increase their reliance on analytics since the results of the analysis and decisions are only as good as quality of the data. ■

SYSOut

by Patricia L. Saporito, CPCU

I'd like to echo Bob's kudos to **Christopher H. Ketcham, CPCU**, for the Herculean effort in analyzing the results of the CPCU IT survey. And I'd like to thank everyone in the CPCU Society who participated. I know Chris has plans to expand research in selected areas in concert with an academic institution.

Also thanks to **Douglas J. Holtz, CPCU, CIC**, for this recap of the time element coverage session. No good deed goes unpunished—not only did Doug coordinate the speakers for this session but he also reviewed it. Doug has officially passed the torch to **Mike J. Highum, CPCU**, who led the submission and approval of two sessions for this year. Please mark your calendars for:

- **October 24, 2005**
10 a.m. to noon
Cyber Liability Insurance Issues

- **October 25, 2005**
10 a.m. to noon
The Future Underwriter
cosponsored with the Underwriting Section

Thanks to **Lamont D. Boyd, CPCU**, for the future underwriter session.

David L. Mowrer, CPCU, CLU, ChFC, continues to lead our Circle of Excellence submission. We want to “Bring Home the Gold” again this year, but we need your help. Please send Dave an e-mail with any qualifying activities. You can see more about what qualifies and the weight each activity has on the CPCU Society web site at <http://www.cpcusociety.org/?p=49489>. The deadline for submission is June 30.

One of the challenges we face is section member retention. If you feel you are getting value from your IT Section membership, then please spread the word and help us increase membership by encouraging other CPCUs to join the section. If you don't feel you are getting value, please send me or any other member of the IT Section Committee your suggestions on how we can make your membership more valuable. ■

Tips and Tricks

by Dr. Digital

What's the big deal with iPods?

They have excellent sound and are very light, and you can download music directly to your player. If you're looking at these devices, you may want to look at MP3 players versus an iPod, which uses Apple's proprietary format. There is a significant price difference.

I have just discovered jump drives! Way cool!

Jump drives or memory sticks are a great way to tote presentations and not carry your PC with you! Saves time in swapping out PCs at conferences too!

Is there a web site to share digital photos?

Try www.Ofoto.com. Dr. D just returned from vacation and wanted to share photos with family and friends. You can upload your digital photos to your own page on the web site and share access to your photos without eating up precious file on your hard drive or having a large file bounce back from someone's e-mail.

I've been having problems reading PDF file versions of Cutting Edge. Any suggestions?

To download and open PDF files, you need to install Adobe Reader on your computer. Adobe Reader is available free at www.adobe.com.

Any neat Google tricks?

Thanks for this one go to G. Barry Klein, CPCU, CLU, Office: (818) 381-2416; Cell: (818) 359-4300; Fax: (818) 991-4385; E-mail: barry@ultimateinsurancelinks.com; web site: <http://www.ultimateinsurancelinks.com>

1. Pull up the normal Google page: <http://www.google.com>. (This will only work with the real Google page, not the Google search bar, if you happen to have that installed.)
2. Look at the two buttons. The one on the left, that you usually use, says "Google Search." The one of the right, that you probably never have used, says "I'm Feeling Lucky."

3. Type (or copy) insurance links in the search box, but don't press either button, yet.
4. Instead of pressing the Google Search button (which is what you usually do, and which brings up lots of paid ads), use the "I'm Feeling Lucky" button. "I'm Feeling Lucky" bypasses all the paid ads, and takes you to the **one** page that contains your search and has the **most other sites** pointing to it.
5. Barry reports that what you'll get is the most popular insurance link site on the web. It has tens of thousands of listings for life/health and property/casualty agents. If you're not already listed—check by looking up your state and city—you should fill out the form for a free listing. ■

With apologies to the David Letterman Show, here are our Top 10 Reasons to Get Rid of Your Company's Legacy System

10. Your IT Department Supervisor keeps asking "What's an Internet?"
9. Your company's nickname for your computer hardware is "Old Betsy."
8. Your employees get ready for Monday by booting up their terminals on Sunday night.
7. Your programmers can't read your source code because it's written in Latin.
6. Your data mine was just added to the National Registry of Historical Landmarks.
5. Your master and remote components are so incompatible that they've filed for divorce.
4. Your system crashes so often that it's equipped with helmets and pads.
3. Your local museum displays a model of your system in its Obsolete Technology exhibit.
2. Your system documentation is written on stone tablets.

And the number one reason . . .

1. Your policy processing back-up system is an IBM Selectric typewriter.

Towards a New Transparency: How Data Standards Can Revolutionize the Insurance Industry

Editor's Note: Neither the CPCU Society nor the Information Technology Section expresses any opinion on the quality of any Unisys product by including this piece in the newsletter.

The past several years have been financially devastating to the insurance industry. Flagging interest rates, a volatile economy, and continued growth stagnation across insurance segments have forced many insurers to shelve new productivity initiatives and cut costs to achieve financial targets.

But such cost-cutting measures limit investment in legacy systems, which age and fail at precisely the time when they need to be robust to support increased regulatory, partner and customer demands, and to support insurers' capacity to effectively and efficiently develop, distribute, and manage their products.

This can threaten strategic viability, as aggressive competitors remain eager to grab market share. Even insurer hesitation in confronting and resolving this challenge can prove costly.

The Problem

Business and regulatory reporting requirements are increasing in complexity; partner and customer demands are multiplying; and legacy systems are aging and failing. Result: the ability of insurers to effectively and efficiently develop, distribute, and manage their products while simultaneously meeting an ever-increasing set of compliance demands is becoming increasingly difficult.

The primary problems resolve themselves into old, inflexible systems that duplicate data that is difficult to extract and use; insurers, partners, and vendors employing different standards that complicate effective communication; and a cost-and-risk-conscious culture that serves as a barrier to necessary change.

But the question for insurance companies is not whether to act, but when. By failing to squarely confront their mission-critical business, operational, and technical issues in a timely manner, insurers may lose competitive advantage over increasingly aggressive diversified financial services firms.

The Solution

Insurers need look no further than their new competitors to learn telling lessons about business transformation. From the creation of the global ATM network, to the development of electronic securities processing, to the explosion of online banking, *standards* have been pivotal to creating propulsive growth across financial services sectors.

By using a single standard, insurers, partners, and vendors will finally all speak the same language, minimizing disruption associated with constantly building and testing connections to old systems.

After decades of creating workaround solutions—interfaces and one-off applications that sap technology budgets and entrench process inefficiency—XML-based standards, such as those of ACORD, the global leader in insurance standard-setting, allow insurers to reuse legacy investments as they migrate to a common model and link rapidly and seamlessly to partners and vendors.

And the key to getting beyond the cost-and-risk-conscious culture is an *incremental* approach, leveraging discrete initiatives that solve insurers' most pressing challenges, streamlining processes, and adding value with each step. But doing it in manageable stages. Unisys employs its 3D-Visible Enterprise (3D-VE) methodology to apply ACORD XML standards to *incrementally* achieve integration efficiencies on the order of 20 percent to 30 percent. (Source: Celent Communications.)

The Benefits

Here's a look at how XML-based standards can serve as a change agent and revolutionize the insurance industry:

- **Regulatory Compliance:** Insurers now must comply with a bewildering array of new legislation aimed at empowering federal anti-terrorism efforts, cracking down on executive misconduct and corporate accounting fraud, and protecting consumer privacy. XML standards such as ACORD's allow insurers to improve their ability to meet federal and state legislation, while creating evolutionary flexibility to meet future regulatory demands.
- **An Agile Enterprise:** As insurers build towards straight-through processing, they can use enterprise data to enter new markets, innovate products, and provide top producers with value-added resources. Equally importantly, insurance companies can mitigate future costs by improving risk assessment, streamlining distribution networks, and reusing XML transactions and technology components in subsequent initiatives.
- **Market Focus:** As data-transparent enterprises, insurers should wield a new power with partners and vendors, winning their allegiance with data, tools, and resources that focus marketing efforts, reduce administration, and streamline costs.
- **Transformed Processes:** As straight-through processing becomes more important, each part of the value chain and cost infrastructure can be targeted with dramatically improved data standards and enterprise-wide transparency.

In short, time is passing, competitive and regulatory pressure for insurers to transform themselves is increasing, and a manageable, incremental approach to accomplishing such transformation is here: enterprise-wide data transparency based on XML standards, imposed in a structured, measured way that minimizes risk and focuses on highest priorities first. ■

Decision Support Systems: Do They Guarantee Better Business Decisions?

by Lynn M. Davenport, PCPU, AIC, AIM, AIS, AIT

Some experts claim that if a business gets 52 percent of its decisions right, it will be successful. The verity of this assertion really depends upon your business's definition of success. However your business model defines it, decision support systems (DSS) are helping to improve companies' results. While the business expert is the ultimate decision-maker, a DSS provides support in making decisions.

A DSS will analyze a wide variety of scenarios and data quickly and perhaps more effectively than a single individual who is working manually. A DSS brings broad perspective and deep detail into the decision-making process because it is a collaboration of many virtual experts all rolled up into one. A DSS pulls together conflicting information then recommends a solution that maximizes effectiveness. A DSS helps reduce managers' reliance upon "gut" or intuition, which is a guessing game that does not necessarily lead to the best decisions.

The benefits of DSS in cross-functional decision-making efforts is explained well by Kun Cheng Lee in her article, "Effectiveness of Intelligent Decision Support System in Coordinating Production/Marketing Decisions—A Database Perspective." Despite the best-intentioned efforts between separate departments to effectively communicate and coordinate, two departments within a company will often operate at cross purposes. For example, the marketing and production departments may focus on different goals to achieve the same end result. A DSS can pull in the requirements and preferences of both departments in developing options and solutions. Different business departments must often develop aligned solutions that meet their needs within a company, and a DSS may help them focus on the right mix of alternatives from each department. Joint decision-making can be significantly enhanced through DSS

because a deeper analysis of all issues can be completed.

In B. Fazlollahi, M. Parikh, and S. Verma, "Effectiveness of Decisional Guidance: An Empirical Evaluation," *Decision Sciences Journal*, 32/2 (2001, Spring), the authors document a study on the effectiveness of DSS tools in which "decisional guidance versus no guidance, informative versus suggestive decisional guidance, and predefined versus dynamic decisional guidance" are compared. The results confirm the value of the decision-making support of a DSS. The end results after using DSS were higher-quality decisions, happier and more informed decision-makers, and quicker decisions.

The quality of any decision is still dependent on accurate facts and inputs. Garbage in, garbage out is a constant. Inaccurate information will tarnish the end result and render a potentially ineffective decision whether the decision is reached by traditional methodology or with input from a DSS. Accurate information must already be encoded in the DSS through the development of logical rules, and accurate information must also be supplied by the DSS user. Also, the DSS must be logically constructed in order to reach a quality solution.

Ultimately, the quality of a decision still depends on people: the programmers who created the DSS, the experts relied upon to develop the DSS, and the user of the DSS. People interpret data in a variety of ways, and DSS can help the decision-maker cover many scenarios in a consistent manner, without being limited by the decision-maker's experience and personal biases. ■

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