

## Razor-Sharp Focus Critical to Success during Economic Upheavals

by Thomas J. Filep, CPCU



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During the recent CSC Future Focus conference in Orlando, Fla., hosted by CSC for property and casualty (P&C) insurers, I was fortunate to take an "Insider's Tour" of Disney World with a number of colleagues in between executive meetings.

One of our tour stops was Frontierland, the Disney theme park which epitomizes the days of the Wild West. Inside the lobby of the huge log cabin hotel is a wooden bridge with a spectacular water fountain flowing below. A boy, maybe two or three years old, was standing in front of the fountain. Jumping up and down, arms flailing, screaming with joy, with a grin a mile wide, he appeared to be totally mesmerized by the fountain.

As tourists walked by, they could not help but smile and admire the boy's excitement. He seemed to see nothing else, not his Dad standing beside him — laughing with us when we watched the boy in amazement — not the music playing, not the live animals amusing kids beneath on the hotel registration floor. A herd of elephants could have stampeded through the hotel lobby, but the boy's rapt attention was nowhere else but on that fountain. His focus was razor-sharp.

Today, insurance executives are bombarded by economic challenges that compare to the Great Depression and to the recession during the Carter Administration. It is easy to become distracted and to lose focus, especially when we are deluged with the gloom-and-doom tirades of Lou Dobbs, Campbell Brown, Wolf Blitzer, Maria Bartaromo and countless other reporters and financial analysts. What can we do to maintain our business focus during this economic crisis? What steps can we take to reduce cost, foster profitable growth and minimize risk?

To increase an organization's market share and competitive position, the following are some fundamental business drivers to focus on during the fourth quarter of 2008 and 2009 IT operating budget planning:

- State versus federal regulation? Is your company prepared for evolving industry laws?
- Regulatory/audit compliance/ethics awareness — full work product disclosure to avoid bad faith and extra-contractual litigation.

*Continued on page 1*

### What's in This Issue

Razor-Sharp Focus Critical to Success during Economic Upheavals.....	1
A New Litigation Challenge: Electronic Discovery .....	3
Real World Business Benefits From the Virtual World.....	4
Insights on Training .....	6

# Razor-Sharp Focus Critical to Success during Economic Upheavals

*Continued from page 1*

- Establish safety and security/firewall protection/off-site data storage.
- Replace/update current legacy systems.
- Institute claim cost control/fraud/audit/litigation.
- Management/subrogation recovery improvement.
- Improve operations and technology.
  - Look to business process transformation to improve operations and eliminate bottlenecks.
  - Emphasize legacy modernization.
  - Utilize less costly and “green” computing solutions.
- Integration — disparate systems/erratic communication, data conversion/migration.
  - Optimize profitability going forward through business consolidations as well as mergers & acquisitions.
  - Nurture organic growth through the development of innovative, cutting-edge products.
  - Boost ROI/ROE by partnering with outside vendors that provide tangible value.
- Agility — flexibility to integrate with existing systems/centralized document repository.
  - Streamline business processes, reducing expensive-to-maintain individual systems and resources.
  - Portfolio management — to ensure strong insurer credit rating and financial solvency.
  - Speed and ease of underwriting/policy/claim administration.
  - Implement a paperless work environment when warranted.
- Predictive analytics.
  - Tap into statistics and data mining to improve product.
  - Speed to market and to predict future events.
- Enterprise Risk Management — strategic planning, operations management and internal controls.



Despite the challenges we face, it is unreasonable to lump the P&C industry in with Wall Street as a contributing factor for the current U.S. financial crisis. With the exception of a few extraordinary, well-publicized corporate debacles due to unfortunate investment decisions and questionable decision-maker judgment, the P&C industry has sufficient financial capacity, a conservative investment portfolio philosophy and generally strong financial stability.

History has shown the P&C market is cyclical, and because commercial rates have declined the last four years in this soft market, most who study the market believe rates will soon increase — first in commercial property, followed by commercial general liability, then in personal lines — and the market will harden, which will enhance growth and stimulate business opportunities.

Those who succeed will be the ones who partner with results-oriented IT and business experts who focus on fundamentals. In this fiercely competitive

market, it is critical to align with those who expect more and have deep industry domain expertise as well as resources to complement and extend capabilities to achieve competitive differentiation.

There is no substitute for experience. Engage the help of purposeful, ingenious and passionate experts to achieve a strong, best practices business model for competitors to emulate. Do it for corporate shareholders, partners and customers who depend on us. And despite the turmoil, maintain razor-sharp focus — like the boy at the fountain. ■

# A New Litigation Challenge: Electronic Discovery

by Scott G. Reno

**Scott G. Reno** is an attorney, and practices law in Midwest America.

Litigation, and the rules that govern it, have changed. The days of typewriters and carbon paper have given way to mainframes and metadata. While insurance companies are often required to produce massive volumes of paper during litigation, there is a new challenge: Electronically Stored Information, or “ESI”. ESI and the emerging federal and state rules pertaining to the production of electronic data during litigation are changing the way many large companies do business.

In federal court, the rules that govern the exchange of information between litigants, known as “discovery,” were amended to specifically address ESI. Similarly, many states are enacting discovery rules that are modeled after the federal rules. Those rules and the judicial decisions interpreting them provide that a litigant, whether it is an individual or a Fortune 500 company, must retain ESI that it knows, or reasonably should know, may be relevant to pending or future litigation. Once a lawsuit is filed, attorneys are obligated to learn about their client’s ESI and to meet and confer regarding the exchange of potentially relevant ESI. The rules even discuss the format in which data can be produced. The scope of these rules is still being shaped through litigation.

Managing a company’s ESI in light of these rules can be challenging, especially for companies who create and maintain huge volumes of ESI. Because storing information electronically is becoming increasingly more affordable, the volume of ESI being maintained is massive. Large companies may now measure their ESI in petabytes (one petabyte equals 1,000,000,000,000,000 bytes) and their daily generation of e-mails in excess of one million.

Unfortunately, there is often no easy way to retain and search for potentially

relevant ESI for litigation purposes. This staggering amount of information may be maintained in hundreds of often unrelated repositories. Some ESI may be reasonably accessible, while other information may be accessible only through a multitude of computer applications.

Moreover, the dynamic nature of technology makes preserving, searching, collecting, reviewing and producing ESI for litigation even more difficult. Software applications and hardware are evolving quickly. Ever improving technologies intended to make communication easier and people more productive also create more ESI. While the vendors of these technologies are very creative in developing new and better ways to do business, they are less concerned about the user’s ability to preserve, search, collect and review identifiable data that was created while using the technology.

Preserving, searching, collecting, reviewing and producing ESI for litigation results in significant cost. There is also the potential for business interruption if systems must be shut down or asked to perform ESI discovery tasks in lieu of normal business operations. Moreover, new technologies that could provide a more productive and efficient workforce may be passed over due to the difficulties in searching and producing ESI related to that technology.

There are solutions that can lessen the business impact of ESI discovery. For example, information retention programs can be tailored to better meet evolving litigation needs. Electronic document storage repositories can be created to retain electronic information in its original format. Companies can take steps to better understand the location, types and formats of their business data, a process commonly known as “data mapping.” When evaluating new business technologies, consideration should be given to the ability to preserve and search data created by that technology. Overall, these front-end efforts can save time and money, especially in those companies that maintain large volumes of ESI and are required to regularly produce ESI during litigation.

Business technologies will continue to evolve and the volume and types of data that must be managed for litigation will continue to expand. The new challenges posed by electronic discovery are here to stay. ■



# Real World Business Benefits From the Virtual World

by Celeste Allen, CPCU, CLU, ChFC, FLMI



**Celeste Allen, CPCU, CLU, ChFC, FLMI**, has 28 years' experience in the insurance industry, having worked in claims, underwriting, business analysis and information technology. She currently is a manager with State Farm. Allen's leadership experiences led her to strengthen her community service participation and make a difference in the lives of young people in her community, including those at-risk. Allen also is a member of two major public service organizations. She earned a bachelor's degree in psychology from Temple University, a master's of business administration degree from Illinois State University and a master's degree in executive leadership from the University of Nebraska at Lincoln.

**S**econd life® is a virtual world community in which users interact with one another in the form of avatars. An avatar is a three-dimensional onscreen representation of oneself in the form of a human, animal or mythical creature. Practically every feature of an avatar can be customized.

Socializing is accomplished by moving from one portal to another to engage in activities such as games and establishing relationships. Linden Research Inc. developed Second Life, which touts 12 to 13 million residents (those who have downloaded free software), though the actual number of users is closer to 14 percent of its residents.

## Business Uses of Second Life

Implementation of Second Life in the workplace offers an innovative alternative to conducting business as usual within and outside a company. Second Life is used for real-world simulations, training, collaboration, meetings for geographically dispersed workers, social interactions and to showcase a company's products or services.

Virtual worlds are seen as an alternate means to communicate in corporations, but it is not a replacement for instant messaging and teleconferences. Some consider it a rather robust and more promising collaborative technology. Some firms look to use Second Life for recruiting and business modeling. Potential real-life scenarios can be tested in a virtual environment.

Virtual settings can be anywhere your imagination takes you, be it a mock-up of a real-life facility, such as a sports complex, or an imaginary island. Walt Disney offers a fairy site and a Pirates of the Caribbean site to showcase product offerings.

IBM held two eight-hour sessions for project managers to simulate contractual

negotiations with a client and is using Second Life for internal collaboration, scheduling meetings, selling its services and products to other companies and training its employees. IBM and Linden embarked on a joint venture to improve technology of collaboration among corporate employees in April 2008.

The business version of Second Life is Life Grid. Linden's new venture with IBM, which marks the first time that the software will be used within a company's environment behind its firewall, will allow IBM's employees to be able to flow between IBM's virtual world environment and the public open version of the software. The significance is best noted by this comment: **Paul Jackson**, an analyst of Forrester Research Inc., said, "The joint effort may address corporate concerns about the security of virtual worlds."

Several automakers have virtual sites. Toyota markets its Scion on four virtual world sites. Other businesses using the technology include banks and hotels. Several insurers are using Second Life to garner market share with those who fall between 25 and 34 years of age. Some organizations have met this technology with mixed success and have thus pulled back their sites from an e-commerce perspective and are examining virtual value from an internal company collaboration perspective.

Insurers participating in marketing this venue include Generali, an established Italian insurer which uses the virtual world to market insurance-related services. Unitrin Direct, a U.S. insurer that markets auto and homeowners directly to consumers, and Ageon N.V., ING Group, and Unive' Verzekeringen, Dutch financial services firms, all have themed virtual worlds. Unive' offers a six-month general insurance policy with a price quoted in Linden dollars, which is used as currency in Second Life. Ginko Financial was a Second Life bank that is now defunct,



with resultant losses to those who placed Linden deposits in the virtual bank (U.S. equivalent of \$750,000).

## IT as a Resource

If the push for use of virtual worlds comes from departments such as human resources, learning and development, or marketing, IT still has a critical role in the process. IT shops can assist in exploration, assessment of vendors and functionality derived from offerings, and provide insights regarding feasibility and technical requirements.

Issues which IT will definitely need to address include the following:

- Establishment of access criteria.
- Determining if a site should be public or private.
- Determining infrastructure requirements.
- Providing tips and awareness regarding disclosure of company information.
- Determining if it is better to buy or build a solution.
- Maintaining sites with the appropriately trained resources.

## Room for Improvement

Companies need to be aware of a few caveats regarding Second Life, including the following:

- Slow response times.
- Marginal audio capabilities.
- Long learning curve.
- Security concerns.
- Limited capabilities of protecting corporate data.
- Concerns with representations of workers in the form of avatars.

IT shops must ensure that they have staff with the right skill sets to build virtual worlds. Despite these challenges, credit



is given to Second Life for putting virtual worlds on the map.

**Mary Pratt** from Computerworld advises that although there are many benefits to be derived from the use of virtual worlds, they will not serve as a replacement for reality and other communication tools such as e-mail and telephone calls but will provide an option for collaboration and communication.

## The Future for Virtual Worlds

In terms of audio capabilities, there are hopes that virtual worlds will someday enhance audio capabilities to the extent that if someone approaches you from the left, you'll be able to hear someone approaching from the left, which would be akin to being in the same physical location. Hopes also abound for technology vendors to test and build better virtual worlds using themselves as guinea pigs. IBM established Metaverse and Sun Microsystems developed its own internal virtual world, so new technological enhancements will make virtual world experiences more real.

## Conclusion

The way we do business in the future will require paradigm and mindset shifts. Second Life serves as an interesting and interactive means of doing business as usual and should be investigated as a technology to add to a company's set of communication tools. ■

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# Insights on Training

## *Principals need to look inside their agency for trainers*

by Dave Willis

**Dave Willis** is a New Hampshire-based insurance and business freelance writer and regular contributor to a number of publications.

**Editor's note:** This article is reprinted with the permission of *Rough Notes* magazine. It appeared in *Rough Note's* September 2008 issue.

**F**or Rhonda Talley, CPCU, facing challenges and finding solutions seem to be everyday occurrences, and ones that energize her. "I love finding new ways to solve problems and work around issues," she says. This passion — and her ability to deliver — led Talley to her current position as quality assurance manager and corporate trainer for First Horizon Insurance Group, a Nashville, Tennessee-based agency. Or it led the position to her.

Several years ago, First Horizon's predecessor agency created the role of quality assurance manager. The corporate trainer function evolved from that because, when a problem arises, staff needs to know how to keep it from happening again. "Once workflows are written, someone has to instruct the staff on them and then audit performance and offer follow-up training as needed," Talley explains.

These days, training takes up about half of her time. Sometimes it's a full-time job. At other times, quality assurance takes the lead. Either way, Talley is always busy supporting the 150 or so management systems users across First Horizon's three locations in Tennessee and Georgia.

Still, Talley finds time to volunteer as chairperson of the Applied Systems Client Network (ASCnet) users group Member Relations Committee, secretary/

treasurer for ASCnet's Vision users group, and presenter at ASCnet's annual Technology, Education and Networking Conference (TENCon). As part of this involvement, Talley has delivered educational sessions to other Applied management systems users, including one titled "Train the Trainer: Moving to More Effective Training" at the 2007 TENCon.

The class, delivered to a packed room — and one that stayed full throughout the entire session — was built around Talley's experience of converting from one agency management system to another. Many session attendees were smaller agencies, where the person who is doing the training wears another hat — most likely handling a book of business. "For instance, they may handle a book of business and be the system administrator/trainer," Talley explains.

Talley hasn't had book responsibilities during her tenure at First Horizon. She's focused exclusively on workflows, quality and training. From her experience, Talley believes agencies should consider having a dedicated trainer — at least one without book responsibilities — if the agency has between 75 and 250 employees.

At the lower end of the spectrum, the trainer can have an additional role — perhaps IT or, as Talley does, quality assurance. Beyond 250, it's probably a wise idea to free the trainer from other responsibilities altogether, she believes.

In some situations, training responsibilities take center stage, regardless of agency size. "In an acquisition mode — and we've been in that position here — the trainer pretty much has to be ready," Talley explains. "It's one thing to walk away from writing workflows and quality assurance. Audits can be pushed off. It's another thing to walk away from a book of business."

During her agency's multi-site system conversion, Talley went for months without performing audits. She estimates training took up 85 percent of her time. Now, employees know the system and workflows; training usually involves only refresher courses or new-hire training. "Once your agency is trained, it's not a full-time job, even with 150–175 people," Talley notes. "I can't pull people from their desks and subject them to training five days a week."

### Making Trainers

Talley became interested in training after presenting at a local users group meeting. "I'd never stood up in front of a group of people before but agreed to do a presentation on 'A Day in the Life of a CSR,'" she recalls. Normally, 20 to 30 people would show up for these meetings. For that meeting, she recalls, "We had more than 80 reservations!"

Rather than scaring her (too much), the episode whetted Talley's appetite. "It just got in my blood," she explains. "I found I really liked it, so I did some in-office training. Then they called on me to do online training with ASCnet University. That's a nice way to break in, if you get a little tongue-tied in front of people. You don't see your audience, but rather a computer screen."

Talley encourages principals to look inside their agency for trainers. "Look at the power users, the ones other employees go to for help," she says. For most agencies, the individual can maintain some current responsibilities. "If you need someone to train your new hires, you could reduce their book of business and let them do the training as the need arises," she explains.

The transition from go-to person to trainer is rather natural, Talley believes. "They already have the right mentality and attitude," she explains. "That's why everyone goes to them in the first place. They can convey information in a clear fashion." Talley notes that they must

be willing to help others and be able to communicate in plain, everyday English.

## Time to Deliver

Once selected, the trainer's real work begins. It takes more than simply knowing the subject matter. "You need a place to start, a middle and an end," Talley says, describing an effective training outline. "Look at what individuals need to know, how the training can be streamlined and packaged, and how to get information across in the best way possible."

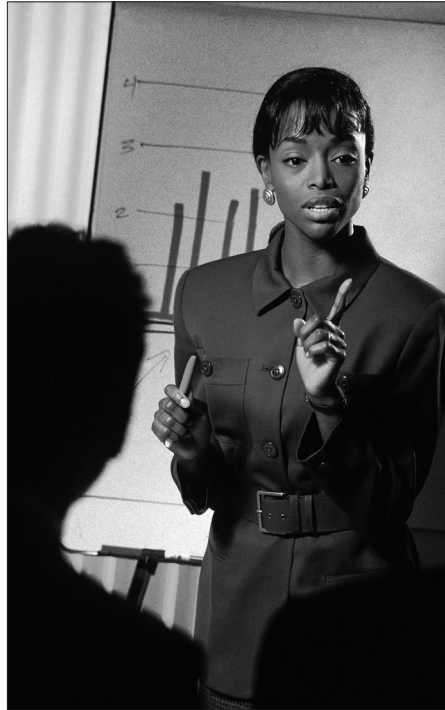
For the system conversion, Talley sat down and wrote an entire training program, working to incorporate what the vendor offered. "There were several stages of the plan," she recalls. "First, users would go through Applied Systems' tutorial. Next, they'd take Web-based training. Third they'd receive on-site help from an Applied trainer."

Talley took over from there. "I did as many hours as the vendor did, focusing on our particular workflows," she notes. After those four phases and a "go-live," Talley laid back for a month. Then she started with 30-minute, one-on-one refreshers. "I'd go to someone's desk and say, 'It's your turn,'" she recalls. "If they wanted me to, I'd sit down and spend time with them. If not, I'd move on to the next person. Different people struggle with different things."

## Consider the Audience

The same thought process holds true for group training. Some people have shorter attention spans or don't want to take part in training. Others are more detail-oriented.

"With salespeople, for instance, I rarely keep them longer than an hour," she notes. "They want to be knocking on doors, working the phones — whatever they need to do to make money." She usually schedules 45-minute sessions. "I don't move too fast — with them or



anyone else who doesn't use the system regularly," she adds. Finally, given potential distractions, Talley uses visual tools as she delivers their training.

For the system transition, Talley offered the salespeople 90-minute sessions — compared to the 20 hours of training others got — with no more than four individuals at each, on how to navigate the system. "They'd learn how to look up a client, access policies and, most important, how to find what premium and commission we booked," she explains. She gave an overview of sales planning capabilities, and then handed out printed material. If they wanted more — how to add contacts, complete an application, add a policy or put a suspense item in — she'd do follow-up one-on-ones.

Sometimes, people are shy about asking questions. "They may leave with more questions than answers," she explains. "Others may think, 'Everyone else here knows how to do this. What's wrong with me?'" To address these situations, Talley augments group learning with individual

sessions. "There's no reason why, at some point in time, a trainer can't carve out 30 minutes for a one-on-one at an employee's desk."

## Tap Tools

Talley not only trains on technology, she uses technology when she trains. The agency uses Centra ([www.centra.com](http://www.centra.com)) as its Internet classroom. First Horizon has what Talley describes as state-of-the-art training rooms at its Nashville and Atlanta offices, complete with large, built-in screens and projectors. "It's like being at the movie theatre," she says, with a laugh.

Sessions feature PowerPoint presentations or live management system demos done over the agency's Citrix server. She generally provides detailed handouts, complete with screen captures that detail the tasks she's teaching. "I prefer that people not take notes when I'm training, because they tend to miss what's being discussed," she explains.

To generate the screen captures, Talley uses software called SnagIt. "I can grab just that portion of the screen I want and zero in," she explains. "I can also do short video clips with audio that lets me show the screen and talk through the process at the same time."

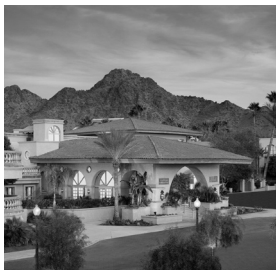
For one-on-one sessions with remote employees, Talley can access the individual's desktop using the agency network and lead the employee through the training right from her own office.

Recently, agency management approached Talley to conduct in-house training on insurance, not just workflows and technology. She immediately thought about what that meant. "I explained that I haven't looked closely at an insurance form in five years," she says. "I need to be retrained." So soon, Talley will be learning while she's training. But that's just another challenge to face, which should make her quite happy. ■

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### Cutting Edge

is published by and for the members of the Information Technology Interest Group of the CPCU Society.  
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Printed on Recycled Paper

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U.S. POSTAGE  
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BARTON & COONEY

December 2008

# II

Number 3

Volume 15

## Cutting Edge



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