

From the Editors

by Lamont D. Boyd, CPCU, and Robert L. Siems, J.D., CPCU

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Robert L. Siems, J.D., CPCU, is in private practice with the Law Offices of Robert L. Siems, P.A. He is founder and president of GF Practices, Inc., a consulting company specializing in litigation and risk management to the property and casualty industry as well as other businesses experiencing litigation exposures.

In our first newsletter of 2004, we have addressed technology investments that build agency value. We have included two announcements from the ACT (Agency Counsel for Technology): The first is about its publication of phase one of a new multi-part report; the second is about its new report, "The Real-Time Revolution: Redefining How We Work."

We have also explored business process outsourcing. Bob's associate has contributed a piece on the National Association of Insurance Commissioners (NAIC) and IT. New IT Section Committee member, **Michael Highum, CPCU**, is highlighted. The terrific opportunities offered through Marty Frappolli, CPCU's development of the Associate in Information Technology (AIT) are described. We have also included an article on some new developments at ISO.

An article by our committee member, **Lynn M. Davenport, CPCU, AIC, AIM, AIS, AIT**, looks at using IT to market. She explores the world of viral marketing. This is very interesting material.

This year brings the 60th anniversary of the CPCU Society. Your editors hope this important achievement will inspire you to reflect—both as an individual and as a member of a professional society and section devoted to making you and the insurance profession better.

Please take a close look at the AIT program. The Institute is not standing still. Through Marty, an affordable program is easily accessible for businesspersons who want more IT knowledge and for IT persons who want more industry knowledge. The Society is reaching its goal of providing access to a program that positions each of us for success. By realizing the opportunity, we reach our goals of being more proficient and valuable to our employers and community. The cycle continues: CPCU is further promoted as a respected professional designation.

We are working and living in a very exciting time. The section's membership is focused on cutting-edge issues. IT developments proliferate. Insurers and

insurance businesses struggle to keep up. At the end of last year, *The New York Times* wrote of the surge shown in business investment in computers and software reflected in a third-quarter 2003 economic report. That report showed a 15 percent increase of business spending on IT in the 2003 third quarter! The magnitude of the numbers is questioned, but critics do agree that the technology sector is strong.

Your next issue of *Cutting Edge* is in the works. We will do our best to keep up with all of the excitement. ■

What's in this Issue?

From the Editors.....	1
Technology Investments that Build Agency Value	2
ACT Issue Phase One of Multi-Part Report on Agency Use of Technology in Sales and Marketing	3
The Real-Time Revolution: Redefining How We Work	4
Thinking Outside the Box: Viral Marketing	5
The Business of Business Process Outsourcing.....	6
NAIC SERFFing!.....	8
IT Section Committee Member Featured in New Ad Campaign....	9
Information Technology and Underwriting.....	10
IT Committee Spotlight—Michael J. Highum, CPCU	10
Exciting Changes to Associate in Information Technology Program ..	12

Technology Investments that Build Agency Value

by Jeff Yates

■ **Jeff Yates** is the executive director of the Agents Council for Technology (ACT), which is affiliated with the Independent Insurance Agents & Brokers of America. Yates can be reached at jeff.yates@iiaba.net. See ACT web site at <http://www.independentagent.com/> for *The Best Practices Guide to Agency Business Processes and Workflows*. This article represents the views of the author and should not be construed as an official statement of ACT.

Editor's notes: If you haven't visited the ACT area of the IIABA web site, please do so. There is a wealth of knowledge in the form of publications, audio, and video presentations that will assist you in taking advantage of technology. In addition, you'll find out where the Agents Council on Technology is heading on these important issues.

This article originally appeared on the Independent Insurance Agents & Brokers of America (IIABA) web site and is reprinted here with permission.

Important: The views expressed in articles written by the IIABA faculty members and others do not necessarily reflect the views of IIABA.

Abstract

Agents often ask, "Show me the return I will get on my technology investment." Fortunately, we are getting more and more data that demonstrate that a focus on technology and work flow improvement does yield concrete returns for the agency. In this article, I encourage agents to adopt three key technology strategies and then back up these recommendations with examples of the positive return these investments can yield.

These three strategies are:

- Establish a process/technology agency culture.
- Implement the service/client agency workflow environment.
- Maximize the agency's use of carrier interfaces and downloads.

The 2002 Best Practices Study revealed a major move by best practices agencies to implement an agency culture that continuously seeks to improve its workflows and to use its technology to the fullest. These agents attribute an important part of their success to their focus on business process improvement.

Agency principals drive this culture; adherence to agency procedures and the use of the computer is mandatory for all staff; and staff is hired and evaluated based on their willingness to adopt new processes and technologies. Such agencies have a real impatience with inefficient workflows and work internally as well as with their vendors and carriers to identify and reduce these inefficiencies.

To demonstrate the return for best practices agencies that have adopted a process/technology-oriented culture, we looked at revenue per employee numbers for best practices agencies having \$500,000 to \$1,250,000 in agency revenues, the category in which most agencies fall. Over a five-year period (1997-2001), revenue per employee increased 24 percent. Over 10 years, the number increased a dramatic 56 percent—from \$66,777 to \$103,913, positioning these agencies to take on a lot more business with their current staffs.

I believe this number conclusively shows that the incremental improvements that our industry has been making in agency workflow and technology have yielded significant efficiencies for those agencies that have adopted them. The improvement also indicates the potential our distribution system has if we continue to focus in this area and make further enhancements.

In ACT's research with Nettles Consulting last year, we found that there are four levels of agency environment in terms of business processes and workflows: manually automated, process, service, and client. Our research has shown that there are still a lot of agencies at the "process work environment" level, where there is a heavy emphasis on processing paper internally, instead of focusing these

resources on services that will add value for the client. The best practices business tool we developed was designed to help agencies move to the "service" level now and the "client" level tomorrow.

Agencies with a "service" or "client" environment have made the computer their employees' primary source of information. They have focused on maximizing the benefits from their technology by fully integrating their systems with their practical insurance workflows, thereby streamlining these workflows and eliminating redundancies. These agencies have standardized procedures across all desktops, have implemented new features offered by their vendors, and have trained their staffs on agency workflows and systems. The sales, service, and processing roles have been clearly defined within these agencies, and scanning or transactional filing has been implemented.

Once again, the service/client-oriented agency is well positioned to grow without adding staff. Nettles Consulting has done a case study of the Rutherford Agency, which experienced a 15 percent increase in revenue per service provider by moving to a "service agency environment." (See case study at <http://www.nettlesconsulting.com/>.)

The third major strategy is to become an agency fully positioned for the latest real-time carrier interfaces. This means teaming up with those vendors and carriers that are also committed to establishing more efficient electronic connections for their agents, and then staying current with the latest versions of your agency management systems. Because of the investments required, carriers will typically build their latest interfaces and download functionality to the most current versions of the major agency systems.

Interface-positioned agencies have the Internet, e-mail, and broadband at every desktop. These agents are using carrier real-time SEMCI interfaces as soon as they become available to them, even though some of their carriers cannot provide these advanced interfaces yet and require a different agency workflow. Agency implementation of these SEMCI interfaces will send the best message possible to the industry that agents want more of this enhanced functionality and are willing to make their share of the investment in order to get it.

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Interface-positioned agencies also are maximizing their use of download and are working with their vendors and carriers to make sure that any "bugs" with these downloads are fixed. They are using electronic commission statement download wherever available so that agency employees no longer have to enter this information manually. These agents are pushing for more efficient credit-scoring processes so that the credit scoring is done by the carrier in a manner that is transparent to the agent, and the agency employee no longer has to take the extra steps to secure the score and then enter it in the company system in order to get a quote and write the risk.

We are starting to see the substantial benefits that can accrue to an agency when real-time SEMCI interfaces are implemented, even though these interfaces cover only limited transactions. For example, a Michigan agency has found that implementing real-time billing inquiry with its companies through its Applied System using Transformation Station cuts the time to do the transaction from 12 minutes to 15 seconds.

If you were to extrapolate that savings to the 40,000 independent agencies operating today, and assumed that the typical agency makes three billing inquiries a day (a conservative number), then the savings to the agency system overall would be six million hours a year—from one type of transaction! These numbers suggest the tremendous potential that can accrue to our distribution system from the broad implementation of real-time SEMCI interfaces.

In the download area, a California agency has done a cost study of the savings it has achieved from implementing electronic commission statement download using its AMS AfW system. This 15-person agency has found that it is saving 50 percent of a data entry clerk's time because these entries no longer need to be made manually.

When you combine all of these examples of savings and heightened efficiency, a compelling case is made for the agency that invests in technology and work-flow improvement. To realize these benefits, ACT urges agents to focus on the three strategic areas highlighted in this article—the process/technology agency culture, the service/client workflow environment, and real-time SEMCI interfaces and improved downloading. ■

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ACT Issues Phase One of Multi-Part Report on Agency Use of Technology in Sales and Marketing

Alexandria, VA, Nov. 19, 2003

The Agents Council for Technology (ACT) has published phase one of a new multi-part report to help independent agents and brokers build a disciplined, sales-driven agency culture that positions the agency to take advantage of technologies that enhance its marketing, sales, and sales management processes. ACT, which is affiliated with the Independent Insurance Agents & Brokers of America (IIABA), formed a Sales & Marketing Work Group to examine how technology can be used to further the independent agent's primary function—to create an ongoing stream of sales.

Phase one of the report is titled: "The Transition to an Agency Sales Organization—Culture and Process First; Then Technology." It discusses the components of a sales culture; identifies methods to establish and sustain an effective sales process; stresses the importance of agency owners convincing all producers to buy into an agency sales philosophy; suggests the use of a business-development coordinator to oversee an agency's marketing and sales processes; and classifies technology tools that support the marketing and sales processes. The report identifies a four-step process used by owners of sales-driven organizations to achieve growth and profitability: infuse the agency with a culture of marketing and sales; develop and implement workflows for marketing, selling, and processing business; apply proper technology to manage these workflows; and hire outstanding talent to leverage that technology.

Phase one of the new ACT report is available in the "What's New" section of the ACT web site, which can be accessed at www.independentagent.com by clicking on the Agents Council for Technology tab.

The Real-Time Revolution: Redefining How We Work

The Agents Council for Technology (ACT) has published "The Real-Time Revolution: Redefining How We Work," a report to help independent agents and brokers and carriers better use real-time technology to improve workflows, customer service and sales, and understand the broad reach technology is likely to have in the industry.

ACT, affiliated with the Independent Insurance Agents & Brokers of America (IIABA), Alexandria, Virginia, formed a work group to study the potential of real-time transactions and to help agents and brokers and their carriers keep pace with the efficiencies provided by technology that allows the agency system to effectively compete long-term with other distribution systems.

The report notes that real-time interface, in its simplest terms, means that a user can make a request electronically and promptly receive a response. The transactional request typically is a policy quote, service inquiry, policy view, request for information, or billing query. The user's electronic response can be in the form of a message, direct access to the requested information, or the initiation of an online process.

■ Additionally, in one year, real time reached an activity level that the traditional batch model needed 17 years to achieve.

"The long-term goal of real-time interface is that the entire business process—in response to the request—be completed immediately, and that the agency and carrier databases both reflect the changes that have been made," says Angelyn Treutel, chief financial officer of Treutel Insurance Agency in Bay Saint Louis, Missouri, who chaired the work group.

The report also shows that momentum for more real-time functionality is building. Specifically, the number of real-time inquiries and transactions is increasing by



as much as 30 percent per month. Additionally, in one year, real time reached an activity level that the traditional batch model needed 17 years to achieve. Also, more carriers are in development to make real-time interface universally available to their agents.

The report cites examples of the many benefits of using real-time technology:

Consumers would receive better customer service and get immediate answers from their carriers, agents, and brokers.

Independent agents and brokers could handle inquiries and transactions in a "once-and-done" manner, eliminate multiple data entries, save time, shorten training efforts, eliminate mailing costs and file space, and dedicate more time to sales activities.

Managing general agents would receive complete, legible submissions, rather than the handwritten faxes with missing information many receive today.

Carriers would have billing, claims and policy inquiries automatically handled, and could transfer books of business from other carriers electronically.

The ACT report also identifies that the real-time revolution is likely to impact future insurance communications, database sharing, and processing.

For example, both agencies and carriers could alert the other party, as well as the client, to the actions they are taking in real time. Agents also could pull information from third-party computers and use it to reduce data entry and enhance agency efficiency. The report contains a comprehensive list of additional ways in which real-time technology might enhance the insurance business processes.

ACT will work with AUGIE, ACORD's organization of user group leaders, and other interested industry groups to further investigate the potential real-time applications. ■

Thinking Outside the Box: Viral Marketing

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



Lynn M. Davenport, CPCU, AIC, AIM, AIS, AIT, graduated with a B.A. in psychology from St. Mary's College, Notre Dame, IN, in 1989, and began her career with State Farm Insurance Cos. as a claim representative. She previously trained new fire claim employees and supervised the subrogation department. For eight years, she managed a team of innovators who support the claims technology and recommend efficiency processes in Colorado, Utah, and Wyoming. Currently, Davenport is responsible for implementing new claims technology and processes throughout six states over 18 months.

Davenport earned her CPCU designation in 1999 and is active in the Colorado Chapter as web site manager in addition to her work with the IT Section. She has completed AIC, AIM, AIS, AIT, and is currently pursuing an M.B.A. through Walden University. In her spare time, she enjoys traveling with her husband and two children, skiing, and shopping.

Viral marketing is a controversial online mass-marketing technique, yet it can be effective in reaching large numbers of potential customers. Could viral marketing concepts apply to insurance sales? Or could information overload and the anti-spam movement render viral marketing useless? You be the judge . . . Dr. Ralph Wilson, e-commerce consultant, recommends six elements for a successful viral marketing strategy:¹

- Gives away products or services.
- Provides for effortless transfer to others.
- Scales easily from small to very large.
- Exploits common motivations and behavior.
- Utilizes existing communication networks.
- Takes advantage of others' resources.

Dr. Wilson uses Hotmail as a successful example of viral marketing that meets all six criteria. As Hotmail users e-mail their friends and family, a line at the bottom offers free e-mail service sign-up. Each e-mail reaches additional potential users exponentially as it is forwarded on, and it is easily passed on. Hotmail does not immediately expect profits from this free offering, but eventually anticipates hooking customers for other extended services through this effort.

Other experts suggest personalizing the material you send out so that it catches potential customers' eyes.² Steamboat Ski Resort provides an example that meets the six criteria above and includes personalization. If customers sign up for a mountain activity sponsored by Steamboat Vacations, they receive a follow-up e-mail thanking them for their business and asking them to spread the word about the activity they participated in. Now that their name is "on the list," they receive invitations to sign up for regular e-mails about snow conditions and events on the mountain. The e-mails sometimes include entry in a free drawing or giveaway if you log on. While Steamboat does not immediately reap

rewards from this campaign, it uses "word of mouse" to spread the benefits of the ski resort. "Tell-a-friend" features are simple suggestions that easily pass the fun information on to others.

The key to successful viral marketing is to offer something of benefit to e-mail recipients to make it worth their while. It may not bring any profits in the short term, but the sheer number of people it reaches will spread the word and potentially result in some new long-term customers. Drawing customers to a company's web site opens the door to customized offerings, rebates, special sales, and other incentives to stay.

In addition to viral marketing, it's critical to use other marketing efforts to gain customers. Viral marketing alone is similar to distributing flyers on car windshields—many people will ignore it unless a company supplements with television advertising, magazine ads, web ads, and gimmicks to entice people to visit a company's web site. A mix of techniques will reach a variety of people. Viral marketing alone has inherent problems, such as rejection from spam blockers and outdated or invalid customer e-mail addresses. ■

Endnotes

1. Tseng, L. (n.d.), "The Twelve Keys to a Successful E-Mail Marketing Campaign, Learn from the Pro," retrieved September 23, 2003, from <http://caars.doveexpress.com/var/index.jsp>.
2. Wilson, R.F. (2000, February 1), "The Six Simple Principles of Viral Marketing," *Web Marketing Today*, 70, retrieved September 23, 2003, from <http://www.wilsonweb.com/wmt5/viral-principles.htm>.

The Business of Business Process Outsourcing

The Seven Major Reasons Why Insurance Companies Should Consider Outsourcing

by Ken PirkI



Ken PirkI has spent more than 30 years in the insurance and financial industry, holding various management positions in underwriting, marketing, and operations. As a native of Minneapolis, MN, he graduated from the University of Minnesota with a B.A. in mathematics. He received his M.B.A. from Canisius College in Buffalo, NY, while working for Merchants Insurance Group. He currently is vice president of business development for Object Solutions, Inc. in Minneapolis, a firm that provides IT integration services. Its sister company, IndoSoft, is based in Noida, India.

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It is especially during economic times like we've experienced recently that organizations, both large and small, undertake efforts to improve the quality of their business processes so they can better manage their bottom lines. Because of these efforts, business process outsourcing (BPO) has taken hold as a real solution for driving down costs, increasing efficiency, and improving productivity.

Generally, BPO is defined as the handing over of one, or more, IT-intensive business processes to an external supplier. This partner, located somewhere around the world, has the proficiency to perform that particular process(es) and deliver value based on a defined and measurable level of service.

While there are numerous reasons for a company to outsource, some of the more common reasons would be to:

- 1. Reduce operating costs.** In today's business environment, there is almost a single-minded purpose to reduce or control operating costs. Access to a BPO partner's lower cost structure makes a compelling benefit of outsourcing.
- 2. Focus on the core competency of selling insurance.** Outsourcing allows companies to concentrate on the broader issues of the insurance business while having operational details assumed by an outside expert.

3. Access to additional resources.

By the mere fact of their specialization, outsourcing providers bring extensive world-class resources to bear so they can meet the needs of their customers. Strategic partners with world-class capabilities can offer access to new technology, tools, and techniques that the organization may currently lack or cannot afford.

4. Free up cash or other capital investment funds.

The strategic BPO partner provides the equipment, facilities, people, and licenses used in a BPO arrangement. Therefore, you avoid large capital outlays to build or upgrade your facilities. Or, if a facility is sold as part of the outsourcing arrangement, this BPO arrangement can result in a substantial cash infusion. Just as important, by eliminating the need to show ROI/ROE from capital investments in non-core areas, outsourcing can improve certain financial measurements.

5. Obtain resources not available internally.

Companies outsource because they do not have access to the required resources within the organization. For example, if an organization is expanding its operations, especially into a new geography, outsourcing is a viable and important alternative to staffing and building the needed capability from the ground up.



6. One-time applications. Compliance with various mandated issues, accelerated migration to new technology, and moving from one platform to another are all trigger events that drain resources for a relatively short period of time. To ramp up/ramp down in relatively short notice is quite expensive, and outsourcing can be the best solution.

7. Scalability for quicker response to business drivers. Outsourcing allows companies to better manage the ebb and flow of business cycles without having to manage people, plants, computers, and other resources. This transforms capital expenses and fixed assets to more flexible monthly business expenses.

Traditionally, insurance companies have remained more conservative with regard to outsourcing than the banking industry. Now, given the economy and the successes of their competitors, the insurance industry is beginning to look seriously at BPO ideas. In turn, they are getting a lot more attention than before from the outsourcing service providers. There is a broad spectrum of processes in the insurance industry today that are being, or can be, outsourced. Examples include: payroll and benefits administration; inbound/outbound new business acquisition; claims set up and processing; policy issuance and maintenance; customer service; voice/e-mail; commission accounting; data mining/analysis; and emerging processes such as underwriting analysis, actuarial, and statistical (statutory/regulatory) reporting.

■ There is a broad spectrum of processes in the insurance industry today that are being, or can be, outsourced.

You may be wondering if your organization is ready for outsourcing. Stop and ask yourself, and your staff, a few questions. Can I deploy my resources more effectively? Can my IT Department



enhance our corporate financial goals? Are the current resources capable of supporting new technology? Is there a quicker, more effective method to handle these issues? Should we consider an offshore solution as well? Are 40 percent savings for real? What are the after-shock effects? Will employees have a basis for litigation? If I make the wrong decision, what are the consequences?

If you believe that outsourcing is the right business direction for your organization, the next step is to consider the right vendor. As this vendor will become a strategic partner in your organization for a long period of time, the selection process becomes a critical issue and it is of paramount importance to make the right selection. Serious consideration must be given to:

- corporate cultural match
- commitment to quality
- references and reputation
- flexible contract terms
- additional, experienced, and available resources
- price

There are tremendous risks associated with the investments an organization makes in information technology—people, infrastructure, networks, software, and training to name a few. When insurance companies outsource, they have effectively transferred much of the risk to their BPO partner. They become more flexible, more dynamic, and better able to change themselves to meet changing opportunities.

Whether for strategic or tactical reasons and regardless of which reason drives your business decision, heed a word of caution from people who have done this. Test—test at a local level, test early, test small, and test with company people. ■

NAIC SERFFing!

by Kimberly A. Schoene, J.D., and Robert L. Siems, J.D., CPCU

The National Association of Insurance Commissioners (NAIC) is an organization composed of insurance regulators from all 50 states, the District of Columbia, and the four U.S. territories. The mission statement of the NAIC is "to assist state insurance regulators, individually and collectively, in serving the public interest and achieving the following fundamental insurance regulatory goals in a responsive, efficient and cost-effective manner consistent with the wishes of its members:

- Protect the public interest;
- Promote competitive markets;
- Facilitate the fair and equitable treatment of insurance consumers;
- Promote the reliability, solvency, and financial solidity of insurance institutions; and
- Support and improve state regulation of insurance."

The NAIC strives to provide a forum for insurance regulators to develop uniform policy in those areas of insurance where uniformity is appropriate. One example of how the NAIC has accomplished this goal is through its development of SERFF (System for Electronic Rate and Form Filing), an electronic rate and form filing system that provides a "cost-effective method of handling insurance policy rate and form filings between regulators and insurance companies." The SERFF system is designed to enable insurance companies to send insurance industry rate and form filing information to their respective state insurance department for both their comments and their acceptance or rejection of the forms and rates chosen.

SERFF saves companies the costs of filing by paper. Before the SERFF system, the insurance companies had to box up all of their rate and form filings and all of the information they used to determine their rates, and send them to the states. Now, with SERFF, all of that information can be sent electronically to the states for their corrections, and approval, which can also be done online. It has been estimated that the savings on the paper,



copying, postage, and labor can cut a company's filing costs in half. In addition, there are no longer worries about delays due to the mail. The filing arrives at the states within minutes.

In 2003, SERFF was recognized in the NAIC's *A Reinforced Commitment: Insurance Regulatory Modernization Action Plan*, as the regulatory community's backbone for speed to market as the primary electronic rate and form-filing tool. SERFF users have access to 49 states, the District of Columbia, and Puerto Rico. The number of SERFF-licensed companies is more than 1,000, and more than 70,000 filings had been submitted via SERFF as of the end of November 2003. The NAIC makes SERFF available to the states at no cost as a benefit of membership. The NAIC maintains the application and databases for the states and provides all training and state support for the product. In turn, each state is responsible for managing the filing process and for approving or disapproving company filings.

Developing the SERFF system has not been the only thing keeping the NAIC busy these days. The NAIC has also been working on revising its licensing structure. Beginning with 2004 filings, use of NAIC specifications will include a royalty provision to be paid to the NAIC based on each use of the vendor software for which each license was provided.

The NAIC has recently signed a license agreement with SunGard Insurance Systems, an operating group of SunGard (NYSE:SDS). SunGard is a vendor that, with the license from the NAIC, will develop helpful software that can be marketed to the insurance companies. The agreement between the NAIC and SunGard licenses SunGard to use the NAIC's proprietary filing specifications in the Enterprise Filing System (ELFS) software developed by SunGard, which SunGard provides to insurance companies for use in annual, quarterly, and risk-based capital filings.

Work also continues on the development of the SERFF Programming Interface (SPI), which is designed to allow insurance companies to send filings using alternative back-office policy filing systems. In addition, SERFF has also advanced by creating the capacity for electronic funds transfer with seven states and nine companies participating thus far. SERFF is also able to support NAIC membership initiatives such as the Uniform Product Coding Matrix, Uniform Transmittal Documents, and Review Checklists.

SERFF was created under the direction of the SERFF Board of Directors, and it has been in use since 1998. The system is fully supported by NAIC membership, and its funding is supported through the NAIC budget process. Elections for new Board members were recently held in November 2003: Andy Robinson (Texas) and Susan Eckler-Kerns (Prudential) were re-elected to serve as chair and vice-chair of the Board, respectively, for 2004; Sonja Larkin-Thorne (The Hartford) was re-elected to serve a three-year term; Patricia Libby (State of Maine), Shawna Greenway (Farm Bureau Life), and Christopher Roe (Fireman's Fund) were newly elected.

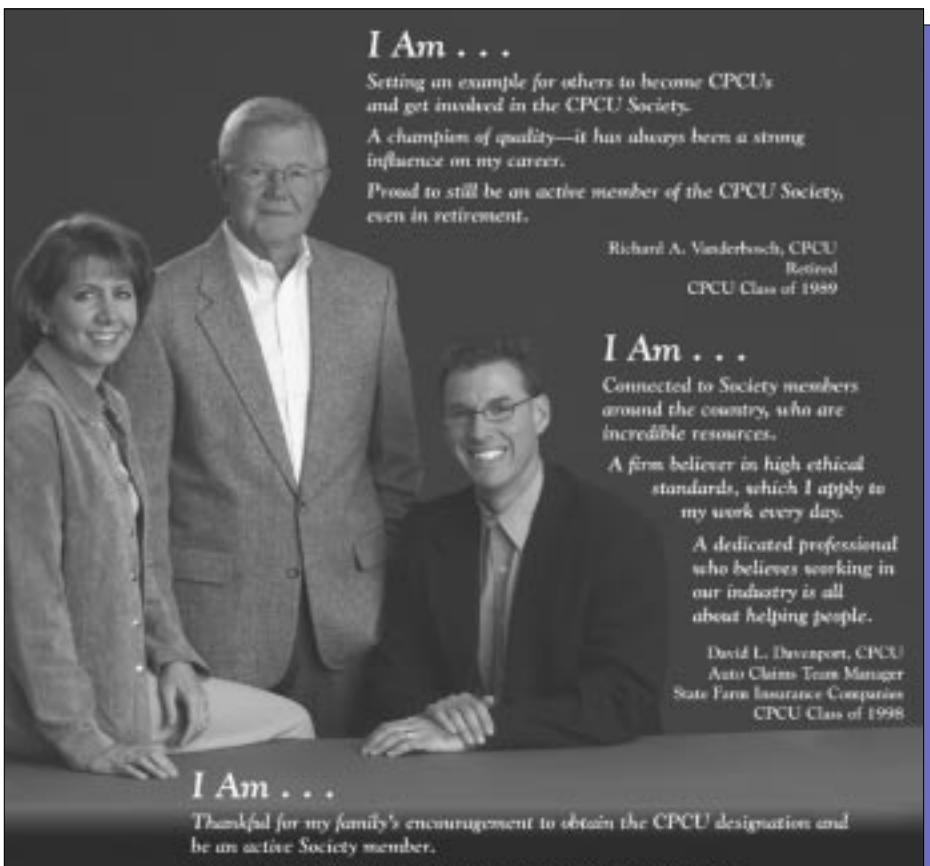
For questions about using SERFF in the rate and form filing industry, contact Julie Fritz, NAIC Insurance Products and Services Director, at (816) 783-8709, or e-mail her for information at jfritz@naic.org. ■

IT Section Committee Member Featured in New Ad Campaign

IT Section member **Lynn Davenport, CPCU, AIC, AIM, AIS, AIT**, appears in one of the Society's three new "I Am" campaign ads. The IT Section is proud to be represented in the new ad series through Lynn—she is a dedicated IT Section Committee member. Lynn manages the IT Section's web site—www.infotech.cpcusociety.org—and keeps it up to date with section news and information, industry articles, and much more!

Lynn is featured in the ad with her father **Dick Vanderbosch, CPCU, CLU, AIS**, and her husband, **Dave Davenport, CPCU, AIC**, who are both CPCU Society volunteers. Look for the ads in leading P/C insurance publications: *Best's Review*, *National Underwriter*, *American Agent & Broker*, *Risk & Insurance*, and *Business Insurance*. In the meantime, learn more about Lynn and her family connections to the CPCU Society!

Lynn M. Davenport, CPCU, AIC, AIM, AIS, AIT, is a team manager for State Farm in Greeley, Colorado, responsible for implementing new claims technology for a six-state region. Lynn followed in Dick's footsteps and is an active member of the CPCU Society. In addition to serving as webmaster for the IT Section and being active in the Colorado Chapter, Lynn recently joined the Society's Distance Mentoring Task Force.



I Am . . .

Setting an example for others to become CPCUs and get involved in the CPCU Society.

A champion of quality—it has always been a strong influence on my career.

Proud to still be an active member of the CPCU Society, even in retirement.

Richard A. Vanderbosch, CPCU
Retired
CPCU Class of 1989

I Am . . .

Connected to Society members around the country, who are incredible resources.

A firm believer in high ethical standards, which I apply to my work every day.

A dedicated professional who believes working in our industry is all about helping people.

David L. Davenport, CPCU
Auto Claims Team Manager
State Farm Insurance Companies
CPCU Class of 1998



I Am . . .

Thankful for my family's encouragement to obtain the CPCU designation and be an active Society member.

Taking control of the future by developing sound leadership skills.

A role model for my colleagues—participating in both education and volunteer opportunities with the CPCU Society.

Lynn M. Davenport, CPCU
Team Manager
State Farm Insurance Companies
CPCU Class of 1999



We're Celebrating 60 Years of CPCU Society Success!

Dick, his daughter Lynn, and her husband Dave are not only dedicated CPCU Society members—they are family members, too. They're joining nearly 27,000 CPCU Society members, celebrating 60 years of dedication to ongoing education, ethical behavior, and professional development. During 2004, the Society is commemorating its 60th anniversary and "Insuring the Success" of CPCU Society members, all of whom have earned the prestigious Chartered Property Casualty Underwriter, or CPCU, designation.

www.cpcusociety.org

Dick Vanderbosch, CPCU, CLU, AIS, is retired after a 36-year career with State Farm. He served in a number of roles there, always keeping a close eye on quality. Dick previously held a number of Society volunteer positions, and remains active with the Society as chairman of the Senior Resource Section. He is also a member of the Colorado Chapter.

Dave Davenport, CPCU, AIC, is an auto claims team manager for State Farm in Greeley, Colorado. Dave is a member of the Claims and TQ Sections, as well as the Colorado Chapter. He is a firm believer in the commitment to ethics associated with the CPCU Society, and applies this to his work every day. ■

Information Technology and Underwriting

by Kimberly A. Schoene, J.D., and Robert L. Siems, J.D., CPCU

Imagine underwriting well enough to consistently produce a combined ratio below 100. An operating profit! For this to happen, your underwriting team needs accurate information on applicants for your company's coverages. The kind of information technology presently being used to fulfill this need was being promoted by Insurance Services Office (ISO) at its exhibition booths in New Orleans.

ISO offers an answer to the question, "How can you get accurate information on prior coverage for all of your insureds?" ISO's new Coverage Verifier database is being used in conjunction with its Automobile-Property Loss Underwriting Service (A-Plus) to achieve a variety of goals. The new Coverage Verifier will allow insurers to check on current and previous coverages for both homeowner and automobile insurance policies. In addition, insurers will now also be able to

more easily identify prospective customers who have lapsed or suspended personal property and auto policies, making it easier to price policies more accurately.

The new Coverage Verifier is designed to provide insurers with valuable information: policy-in-force status; cancellations, lapses, and reinstatements; coverage periods; coverages; limits and deductibles; and insurance discounts. This information can in turn be used to identify personal auto and property risks with current, lapsed, or suspended coverage, to confirm appropriate pricing tiers and discounts, to reduce processing time, to increase productivity, and to improve customer service.

ISO delivers information from its new Coverage Verifier through ISO Passport, a resource for obtaining underwriting reports and other data on prospective

customers. The ISO system can be accessed in many different ways, including the Internet, by way of a secure-transfer FTP, and finally, from an interactive mainframe. Agents, brokers, and MGAs can also access the database through several options offered from ISO's Insurance Information Exchange (iiX) unit.

More information on Coverage Verifier can be obtained by talking to your A-Plus/ISO Passport sales representative, or by contacting Steven Craig at (201) 469-3174. ■

Please be advised that the *Cutting Edge* does not endorse individual products or companies, and neither this article nor any other in this or any other issue of *Cutting Edge* is written for any purpose other than to be informative to our readers.

IT Committee Spotlight—Michael J. Highum, CPCU

Ibegan my insurance career in the summer of 1990 after graduating from Eastern Illinois University in Charleston, Illinois. At Eastern, I majored in finance and, not knowing exactly in which direction to take my career, I chose to meet with Indiana Insurance Company during an on-campus interview opportunity. I was subsequently offered an underwriting position with the company in Indianapolis.

As my career developed, I was able to improve my skills and abilities, which led to advancement opportunities with two other insurance carriers. I greatly benefited from these changes as each new position allowed for involvement and an education in different and distinct areas of our business. I have been fortunate to work in underwriting, marketing, sales, and project management. Presently, I serve as the vice president of operations for the McGowan Insurance Group, Inc. The position with McGowan is both challenging and rewarding, and I look forward to a long and successful career with the agency.

Being from a family that has long been dedicated to education, and having a university professor for a father, I have a passion for continued learning and an appreciation for anyone who devotes time and effort to furthering his or her education. After entering the insurance business, I quickly became aware that continuing to build on my education was a must. As such, I immediately became involved with insurance education of all types. Upon completing the general insurance studies, I set out to obtain the CPCU designation. I received that designation in 1995 and enjoyed a wonderful conferment in Honolulu, Hawaii. Shortly after receiving the CPCU designation, I chose to affiliate with the CPCU Society's Underwriting Section and only recently joined the Information Technology Section, for which I serve on the committee. I look forward to utilizing my IT skills and connections to further the success of the section. I have served for several years on the Board of Directors for the CPCU

Society's Central Indiana Chapter and have held a number of different committee positions. Currently, I serve the chapter as treasurer.

In addition to my insurance career and involvement with the CPCU Society, I enjoy spending time with my busy and active family. I am blessed to have a wonderful wife, Ronni, and three energized young boys. Clayton (10), Cole (8), and Carter (2) keep both Ronni and me running and make fulfilling the requirements of a career an interesting challenge at times. As expected, our activities are focused on school, church, and sports.

I am very excited to be a part of the IT Section Committee and look forward to developing in this role and other areas of service to the Society. My goal is to continue the progress already achieved by the IT Section and enhance the services and benefits offered to its members. ■

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Exciting Changes to Associate in Information Technology Program



EDUCATION • RESEARCH • ETHICS

The Insurance Institute of America (IIA) has revised its three-course Associate in Information Technology program. It has adopted a new textbook for the AIT 134 course, published a new edition of the existing text for the AIT 132 course, and revised and updated the course guides (workbooks) for all three AIT courses. **Martin J. Frappoli, CPCU, AIS**, director of curriculum for IIA, heads the AIT program, and he generously serves on your IT Section Committee. In discussing the updated program, he said: "The transition from the era of mainframe-dominated centrally controlled data processing to the era of empowered users, PCs, and worldwide networks created a technology 'knowledge gap' for many insurance professionals." Managers could no longer delegate all information processing decisions to the technical staff. Understanding the IT environment became the key to success in business. AIT was developed with the non-technician in mind, to bridge the gap between insurance professionals and IT professionals.

The revised and updated program of courses includes:

- **AIT 131—The Essentials of Information Technology.** This course covers all of the IT issues encountered

in today's business environment—hardware, software, the Internet, telecommunications, e-commerce, and systems.

- **AIT 132—Insurance Uses of Technology.** This course provides an overview of the insurance industry, technology issues for insurers and agents, information security, and industry-level information requirements. In addition, the course also covers material covering insurance and the Internet, for which a brand new assignment replaces an earlier study of Internet trends in the industry. The new assignment covers the rise and fall of the Internet entrepreneurs of the late 1990s and discusses the outlook for insurance e-commerce.
- **AIT 134—Corporate Information Strategy and Management.** There is a new textbook out for this course, which emphasizes case studies and offers a better understanding of how changed technologies can influence business leaders and business decisions. This course looks at and evaluates IT as part of the larger corporate strategy.

The texts and course guides can be ordered from IIA by calling a customer service representative at (800) 644-2101, faxing (610) 640-9576, or e-mailing your request to cserv@cpcuiia.org. ■

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