**Shifting the mindset to create dynamic business models
by leveraging BPM and SOA as true enablers**
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Insurance:
Realizing the full potential of change

SMA
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It's all about change

Change is at the heart of most businesses. Many recognize that customers today are far more informed and demanding than ever before. Instead of viewing this as a problem, many successful companies see this as an opportunity to draw upon their own energy and ideas to innovate and differentiate their companies. And what is even more apparent and real, the companies that embrace change rather than brace for it are outperforming their peers.

For the insurance industry, the possibilities of embracing change and its subsequent transformation are a reality. The signs are here, the ideas are formulating, leadership is in place, methods and tools are mature, and the technology is ready. The shackles of traditional business models, inefficient, ineffective and linear business processes with the misalignment of technology and old legacy systems can finally be removed. The insurance industry is poised and positioned; it's all around linking the business strategy with a change in mindset, and leveraging enabling process and technology capabilities available in the marketplace.

Assuming change is inevitable even in insurance, there are three critical success factors. This list is based on our research around best practices from the market leaders and other industries.

BPM and SOA, when combined, offer powerful solutions to answer business needs at the pace of business.

- *Change must be driven from business rather than technology.* *So often in insurance, change is driven through technology — insurers launch a legacy replacement or new claims system without defining what business capabilities are needed to achieve overall strategies and plans. With a technology-driven implementation, change is then forced upon the business, and the results are automation, not necessarily innovation. Change must be driven from the business strategy and linked to business processes that are then realized via technology.*

- *A shift in mindset among business leaders to service-oriented processes.* *Insurers continue to automate business processes with an old mindset of sequential and linear focusing on the "who" and "how," adding to its brittle and complex state. There needs to be a new service-oriented mindset in the business community — looking at business processes as capabilities or services through the eyes of our customer or agent/broker rather than in a traditional way. Focusing on the "what" sets the stage for rethinking the business processes in this service-oriented mindset. This will allow the creation of new business models that are dynamic and flexible and meet the changing market needs.*

- *BPM and SOA must be viewed as enablers, not technology.* *Business Process Management (BPM) and Service Oriented Architecture (SOA) are disciplines of change management that when combined offer powerful solutions to enabling business needs at the pace of business. Together, they unite business and IT to achieve business imperatives to drive both top- and bottom-line growth. They also continually optimize, harvest, share, and reuse best business process practices for quicker, less costly, and less risky cross-border and emerging markets growth; and they greatly enhance a customer-focused business model. To provide the ability to automate, optimize, share, and reuse business processes with full visibility, tracking, monitoring, and modeling should be top of mind. Now this is true business agility.*

Today, there are just a few market leaders across the industry that are flawlessly executing and driving change from the business with a service-oriented mindset and leveraging BPM and SOA as real enablers, while many are just getting started. The business results to date have been astounding, and as the market leaders continue to invest in change and reach new levels of maturity, a paradigm shift will occur, driving a significant gap between the market leaders and the rest of the industry.

The purpose of this white paper is to educate and create awareness around "what and why" change is required for all insurers and the necessity to rethink current business models and how change is handled. This paper also outlines the "how" from a playbook perspective to link strategy to process to technology using BPM and SOA as the enablers.

Global CEOs continue to embrace change

Across the globe, CEOs have embraced change, according to this year's IBM Global CEO study – "The Enterprise of the Future," IBM Global CEO Study, May 2008.

More than 1,000 CEOs and leaders participated in the IBM Global CEO study this year, sharing their experiences and plans, and looked even farther out toward the horizon. It is clear that there is more change ahead, even in insurance. CEOs realize the difficulty of keeping pace, but most companies remain strikingly optimistic and action oriented. There are five key traits of the enterprise of the future:

- *Hungry for change: CEOs foresee significant change ahead. Everything is important; but their confidence in their ability to manage change is not nearly as high. The ability to change quickly and successfully is becoming more critical than ever.*
- *Innovative beyond customer imagination: Leaders are making significant investments to serve increasingly sophisticated and demanding customers. But precisely what do these new customers want? Companies must invest wisely to adapt and adjust as customers' demands evolve and change.*

- *Globally integrated: Leveraging or at least acknowledging the capabilities located across the globe creates complexity and opportunity, even if your company never goes global. Companies must know what their competition is doing, what their customers expect, and what options are available as competition expands globally and modernizes their business infrastructure, creating dynamic capabilities to rapidly change.*
- *Disruptive by nature: Out performers are creating extensive business model innovations and continue to push the envelope and search for new ways to compete.*
- *Genuine, not just generous: The new generation is socially minded customers, partners, investors, activists and workers. They watch every move companies make, so each move must be beyond socially responsible.*

Insurance marketplace expects change

When we take a closer look at insurance industry CEOs, change, innovation, business agility and globalization are top of mind as well. At the core of what is driving change are demographic shifts, distribution channel consolidation, and competitive landscape convergence. These are directly related to the changing expectations of our customers, the agent/brokers, the stakeholders and employees.

Let's take a look at these areas from their point of view.

- **Customers.** *By 2010, there will be approximately 64 million baby boomers retiring and replaced with over 70 million of a new breed of consumer. In 10 years, the new consumer will represent 45% of the population and have greater than 30% of the assets. They are technically savvy beyond belief, with customer expectations soaring higher and higher each year. This group is projected to be the highest performing employee and consumer demographic of all time. Also they take community service to the next level, moving well beyond blood drives and stocking food banks.*

  Customer expectations are simple. They require quick response, fast service turnaround, access to service information 24×7 through various multi-channel vehicles, as well as competitive and comparative pricing capability.

- *Agents/Brokers.* *Over the past 10 years, the number of independent agencies has decreased by over 15% due to a flurry of consolidations, mergers, and acquisitions amongst the small regional and privately owned agencies; however, the size of the agency book of business is growing. This shift immediately puts the squeeze on the carriers' "top 1 to 2 producer" goal. The number of quotes by the independent agency is decreasing, and there is an increase in sales through the Internet and call centers. In 1998, Internet and call centers accounted for less than 1%, today it is over 10% in the personal markets.*

  Agent and Broker expectations are clear. Ease of doing business, responsiveness, fast and accurate information, visibility to insurer processes and systems, and innovative product offerings are a must.

- *Shareholders.* *The insurance landscape has become highly competitive with price, product and service. The market leaders have aggressive strategies to maximize investments and grow marketplace footprint all through channel expansion, product development, and mergers and acquisitions. Insurance has demonstrated that despite economic cycles, profitable growth is achievable and sustainable.*

  Shareholders continue to expect reasonable rates of return. However they also are looking for companies to leverage innovative concepts to drive returns. They also expect a reduction in operating costs, innovative new market entrants, flexible new business models that will drive profitable growth, and all of this must be tracked and managed to key performance indicators.

- *Employees.* *There is a clear shift in demographics. Up to 50% of current insurance staff will retire over the next 5–10 years. This impacts the leadership, business operations and IT environment. The gap is significant, creating the need to quickly attract, train and assimilate the new generation into the organization while transferring the knowledge of those who are retiring.*

  The employee challenge is the most complex. We need to address it from several angles. Insurers must capture aging employees' knowledge though reassigning, eliminating or automating tasks and activities. Also developing a staffing strategy to attract and retain the new generation is a must through staffing programs and providing a new workplace environment that bridges the gap and leverages this as an opportunity.

These factors will force insurers to reflect upon "what and why" change is required in insurance. The following sections explore defining business strategies, rethinking and reinventing business models and processes into dynamic business processes, and leveraging BPM and SOA as true enablers. The following is the playbook as to the "how."

Set the stage for change: Defining business strategies

The first question for all insurers is: Do we need to change? If the answer is yes, then defining the appropriate company strategy is essential. Insurers must explore the possibilities of the future enterprise and begin with clear, razor-sharp business strategies and plans that are linked to and will drive the business and IT roadmaps. Insurers must define what is important to achieve, define success, and then track and measure with key performance indicators.

The market leaders continue to execute against aggressive and bold strategies. They are clearly looking to seize the changing markets as an opportunity to grow and expand. They view their business capabilities through the eyes of their customers vs. the traditional "front and back" office business processes.

The following are clips from some of their strategies:

- *"Grow faster than the market by outperforming our peer group"*
- *"Continue to be top of mind with key distributors and grow"*
- *"Focus on distributors and customers while maintaining excellence in customer service"*
- *"Be the most diversified company in terms of products, distribution channels and geographic footprint"*
- *"Deliver operating income that exceeds shareholders' expectations"*
- *"Break the bonds of market cycles"*

Looking across the broad industry, strategies may appear similar, but in reality, they're quite different. It's typically the unique combination of financials, customer service, product/price development, distribution and internal operations philosophies that creates the magic sauce of each insurer. It is also in the smooth execution. This is why it is critical to have clearly defined and articulated strategies at the foundation of redesigning the business processes and aligning to the right technology investments.

Shift in the mindset: Redesigning the business processes

Looking at the business processes and capabilities necessary for today's marketplace, most carriers are not positioned to support the changing expectations and demands from the customers, agents/brokers and shareholders. Today's business processes for the connectivity between agents and underwriting are linear and sequential — many were designed as paper- or phone-based single-path processes. Additionally, exception handling has become more complex with "white outs" and overrides by both the agent and underwriter.

Over the course of many years with changes, enhancements and expansions in delivery channels (fax, electronic and Internet), the business processes have become brittle, complex and inflexible. Multiple business applications have been built over the years with point-to-point connectivity to back-end legacy systems. Each channel is independently connected with hard-wired mapping, processes and rules. This has led to different channels and systems and at times, different results and user experiences. This direct programmed connectivity has created inflexibility and costly systems to maintain. Few insurers have started to chip away at these challenges from a business perspective; many have assumed that they were by just implementing technology which only adds to the complexity.

Given the emerging trends discussed earlier, market leaders are looking at their business process differently. These insurers look for innovative ways to fundamentally change their business models, and position themselves to be agile and flexible. And they look to build their business process to dynamically respond to the information received as part of the process. This is considered a service-oriented mindset — or they look to service their customers based upon that individual customer's or agent's needs at the time the process is executed — to respond dynamically and be agile and flexible. They're looking for mechanisms to provide their business users with compelling business insights and the right tools faster, so they can act upon them sooner.

To do this, insurers look at their business functionality like building blocks that can be assembled to enable the dynamic processes to adjust and adapt to changing customer profiles, expectations and marketplace conditions. See Figure 1 for illustration.
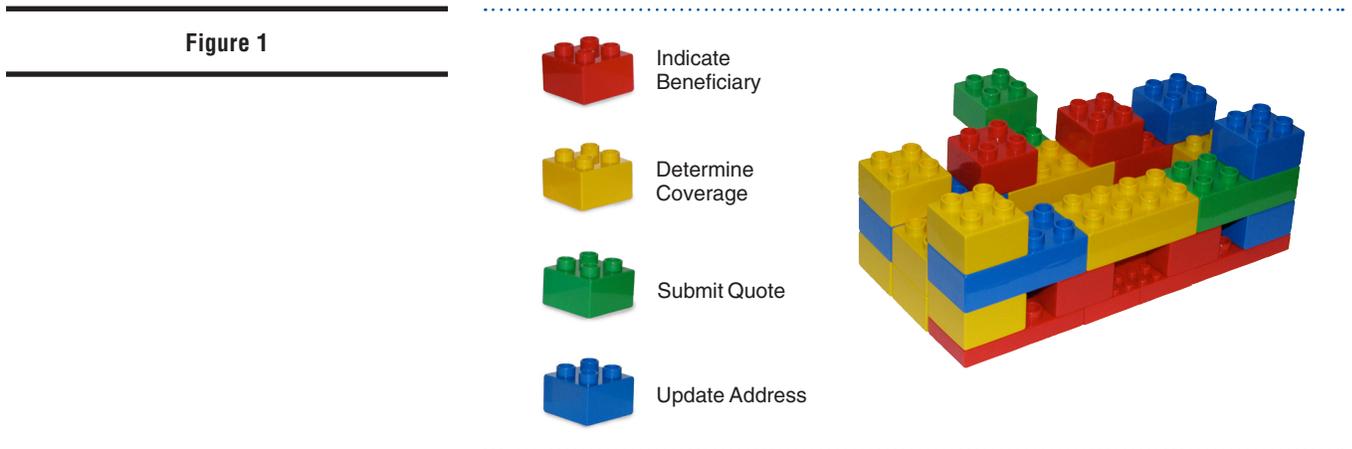
Figure 1

- Indicate Beneficiary
- Determine Coverage
- Submit Quote
- Update Address

Figure 1: Assembling functionality as building blocks to enable dynamic processes.

Explore possibilities from a different viewpoint

Once we discover the technique of redesigning the business process as building blocks with a service-oriented mindset, transformation is next. Let's imagine a world set apart from the competition that increases value, and enhances customer and employee experiences. How do we define the process and create the experience?

The way is to flip the organization and put the end-to-end process and insurance value chain on its side. Rather than thinking in terms of systems and applications and the old insurance value chain, think in terms of what a customer does to complete the process. Look at it from a different viewpoint: the customer, the agent/broker, and the stakeholder — clearly define through their eyes, their wants and needs. To do this, insurers must rethink and even re-experience.

Flip the insurance value chain on its side and think in terms of what a customer does to complete the process.

- *Customer perspective: Imagine as a customer, being able to manage all of your insurance needs based upon your lifestyle requirements or company's risk management needs. Able to view information and respond in real-time to possible changes in lifestyle (i.e., marriage, new home, new car). Being able to access and integrate any insurance solutions across property and casualty, and life and annuities, across multiple lifetime events all at once or in any sequence all though the distribution channel of choice — Internet, agent facing, or even at the bank.*

  These same individual scenarios apply in the commercial insurance world as well. Risk managers want the ability to analyze multiple coverages or even product options with their broker or directly with their insurer to analyze their prior coverage, loss information, get a quote, bind coverage, accept payment and provide proof of insurance — all while on the phone or an Internet session with them.

  This all requires more flexible and efficient front/back office business processes and systems. Insurers must have the ability to quickly consolidate, integrate and respond to different scenarios. And, the product development/offering with precision pricing along with servicing capabilities must be able to address their customers' changing needs.

- ***Agent perspective:*** *An insurance quote process can be personalized so that independent agents can receive real-time quotes over their preferred communication channel, including Web portal, B2B connections, hand-held devices, automated phone response systems, or other channels. Furthermore, an agent has access his or her own customized services portfolio, subscribing and unsubscribing to available business services as needed. With a few clicks, the agent can get information on new products, view policy and quote status, and take action on open items.*

  Being able to easily customize agent services for different services levels, such as priority straight-through-processing for highly valued premium agents is a must. Services can also be delivered from multiple insurance lines such as auto, home, and commercial while providing the same uniform and consistent user experience. Greater productivity for the agent means greater profit potential, including the flexibility for the agent to reach the insurer anytime, from anywhere.

  At the same time, you can internally track agent activity—monitoring it from customized performance dashboards. That way, agents can be quickly and easily rewarded for high-volume sales with additional agent benefits and higher service levels. You provide flexible access, tailored interactions, allow agents to be more productive, and reward loyalty with higher levels of agent benefits.

- ***Internal operations:*** *With the current economic environment, profitability can be a challenge; insurers must have cost-effective distribution channels; superior customer service with precise product pricing and servicing. Business processes must support flexibility while being efficient yet effective.*

  An underwriting example: Risk appetite and risk selection processes can quickly change based on the volatility of the market environment. There is a need to enhance risk selection and integrate with straight-through-processing and exception handling all with an eye towards precision pricing in real-time, adjusting to dynamic marketplace conditions.

  A claims example: Claims payment authorization level adjustments can be made in real time based on an incoming natural disaster. Claims processing must have the flexibility to scale claims operations and accelerate payment processing before, during, and after a hurricane or flood.

These scenarios are great examples of the need for dynamic processing and the ability to respond quickly to be competitive and win the business in today's marketplace. And of course, today's customers expect insurers have this capability and adjust seamlessly in real time.

With the right real-time intelligence and flexibility, being able to adapt and adjust to various customer service levels based on level of risk, wealth, intimacy, and touch required to fulfill client needs and demands is a differentiator and competitive advantage.

For all of these scenarios, there are a few insurers that have started to implement these strategies. These leaders have a different mindset, a service-oriented mindset when redesigning the business processes. These companies are breaking their processes into building blocks and understanding the process dynamics. They leverage concepts such as advanced self-service collaboration-based concepts, and link enabling technologies like rules-engines and enabling business process management capabilities.

Sounds easy, but why has this been so hard to deliver or achieve these flexible and dynamic business processes? Organizations struggle for a variety of reasons. Most innovation stalls while analyzing or optimizing the differentiating processes or capabilities without the shift in mindset. Insurers are often stuck in the complex, rigid and inconsistent manual and automated processes without a method, technique or tools to shift the mindset. Today, there is a concept, a set of tools, techniques and technologies that can make this happen; it is called business process management (BPM). These tools are adaptable and flexible enough to leverage and build upon existing business processes and current IT assets, or powerful enough to guide in the rip and replace.

Business Process Management: Defining the capabilities

Business Process Management (BPM) is the key enabler to innovate both business models and supporting business processes. These tools and techniques give insurers the ability to design and expand new and existing business capabilities into a new set of dynamic business processes. Proper processes will let insurers be innovative, agile and responsive to the changing market demands and needs in real time.

BPM allows businesses to build on what they already have, what's working, and create more agile and dynamic processes that serve as the foundation for greater innovation in the future. BPM gives the business world and IT world a common vocabulary to address the issues that affect the organization. It is driving greater linkage between the business and IT worlds and is having an enduring impact on the industry. The vision is to leverage BPM as a catalyst for linkage between business architecture and IT architecture and supporting IT investments, and keep this alignment flexible and continuous to adapt to changing business needs.

BPM provides the insurance industry with the capability to harness and enable rapid change and innovation, either incrementally or end-to-end. In an industry that is "risk adverse," BPM provides many key capabilities to truly be innovative and enable change. It allows insurers to predict and optimize process outcomes with modeling and simulation. It assists in the creation of processes from reusable building blocks that can be changed on-the-fly rather than redeploying. It can also sense and respond to business events in real-time for automated response or human decision support by leveraging current IT assets regardless of the underlying platform.

Power of BPM: Delivering dynamic business processes

Business processes are what makes an organization tick. And while the vertical processes that live within individual lines of business in insurance are supported by individual applications, today's business climate is bringing increasing focus on end-to-end business processes as the primary means of defining the business and creating differentiating value. These end-to-end business processes span lines of business and tap into functional tasks within each of them and beyond the boundaries of the enterprise to trading partners and external service providers.

But to keep these end-to-end business processes in line with the ever-changing demands of the market, you need a deliberate, thorough approach to managing them. BPM enabled by SOA is a discipline that combines software capabilities and business expertise to accelerate innovation and optimization of the critical end-to-end business process.

An outline of the simple process:

- *BPM starts with taking the business process that might exist on paper or even in the minds of some insurance subject matter experts and documenting it with business modeling. But the real value of process modeling comes with running simulations and what-if scenarios to forecast what would happen if the process was altered. An iterative approach to these simulations is suggested, quantifying the results and arriving at an optimal process design, before putting a single change into production.*
- *After the process has been optimized conceptually, it's time to make it a reality in deployment. But it never makes sense to reinvent the wheel or start from scratch. There is a wealth of prebuilt, customizable business process assets and best practices available to facilitate deployment.*
- *Once the optimized end-to-end business processes are in production, the ability to monitor and measure the results is available along with the ability to evaluate how the business is doing today but also how well the business is poised to react to additional changes tomorrow.*

- *The business world does not stand still and neither should the end-to-end business processes. The ability to continuously look for ways to innovate and reoptimize the process as conditions change is a must in today's environment. There is a continuous improvement loop of using the information that is gained from monitoring the business to make better business decisions about where to take the business in the future. BPM supports these capabilities.*

BPM enabled by SOA: Linking it all together, a new approach

Although, BPM and SOA are distinct disciplines, the complementary nature of the two truly enable exponential efficiency and business value when coupled together. Designing your business processes in a service-oriented mindset will allow for the most dynamic, agile and flexible processes. Processes that can handle change — known and futuristic — at the pace of business needs. Effective business processes are those that are orchestrated through a set of business services that can be dynamically assembled at the time the process is executed. There are many different definitions for SOA; but we believe the best is "formalized common sense."

BPM enabled by SOA services enable the optimization of business processes that can deliver cost benefits and competitive advantages. The most advantageous are those that also provide improved visibility into real-time operations yielding a quicker path to realizing the value of greater efficiency and flexibility. These are all capabilities needed by the insurance industry to be able to embrace change and become more agile.

So what does it mean to have dynamic business processes, or is it just another buzz word? Dynamic processes are a real differentiator for insurance companies that embrace change. They allow insurers to serve their customers and agents in the manner they choose. Processes are assembled at process execution based upon policies, information content, rules and events within the business service. They provide the flexibility needed to be competitive, but BPM does require a discipline and one size does not fit all, especially in the insurance industry.

Let's step through how dynamic processes actual work:

- *Optimizing business processes with dynamic capabilities provides the means to innovate new business models and to offer differentiated products and services while using existing assets. With the proper tools, businesses can give new life to existing IT assets and support business-led process change. These dynamic capabilities enable enterprises to keep business service policies separate from business processes and create reusable business services. This creates a highly flexible environment where the business process is dynamically assembled at run time, reusing these business services in a personalized manner based on user context and the direction provided by the business service policy.*

- *What makes working with business service policies so effective? Business service policies represent declarative knowledge written in a business context, such as "Repeat customers receive preferred status." They are not limited by hard code — so change is quick and easy.*

- *These business services are created with existing IT assets and organized into reusable building blocks. By keeping these vital building blocks and policies separate from the process, you have reusable pieces that can be dynamically assembled. The overall business process becomes highly flexible and agile.*

- *Altering business service policies, rather than redeploying the business processes, gives organizations the ability to innovate, respond rapidly to external demands, and speed new products or services to market. Customers also gain through enhanced, customized experiences. Most organizations, for example, are becoming increasingly customer focused. With tight competition for the market, it is crucial to provide high service levels and the differentiated products and services they demand.*

- *Business processes optimized with SOA technologies benefit from reusable building blocks, giving rise to an entirely new approach to how business services are deployed. Using these technologies, the dynamic assembly of reusable assets powers a high level of customization — an agent can assemble the right product offering for his customer by making adjustments to business service policies. Real-time changes happen without bringing down the system. Or a carrier can temporarily raise authority levels for claims adjusters to pay claims in an area hit by a tornado. A carrier can also change underwriting criteria to stop writing auto policies on a vehicle with reported safety issues.*

- *For a dynamic environment like this to reach its full potential, business leaders need to share a vision with IT leaders that drives adoption of BPM enabled by SOA based on their objectives. Without business leaders who are aligned with IT, BPM solutions enabled by SOA become difficult to implement and stand to never realize their full potential.*

An example of the benefits of SOA adoption within the claims processing area can be found by an initiative at a large European insurance carrier. This carrier's objectives were to automate claims processing and minimize the manual intervention so that it could achieve its growth strategy without added labor and additional resource costs. They were able to identify the business need and leverage SOA principles to manage the end-to-end claims processing by creating a foundation for future process automation across all line of business. The business value achieved included:

- *Reduced operational costs by 33% by applying "Lights Out" process automation, intelligent work assignment and management.*
- *Improved efficiency by automating more than half of its manual processes.*
- *Reduced claims payouts substantially by increasing processing accuracy and timeliness.*
- *Improved service levels by processing claims from mail room to issued check with no human intervention.*

As the level of BPM adoption and SOA maturity increases, the more business value you will see – increased agility, innovation and reuse of your valuable IT assets. You can start in a variety of ways – and your BPM and SOA implementation projects should be driven directly by your business strategy – if your growth is dependent on better services for agents, new and innovative products and services for your customers, and the ability to react to increased workloads. For example, your BPM implementation should include optimizing your business processes with dynamic capabilities.

Market leaders, however, have been investing in BPM enabled by SOA and continuously evolve with many having dynamic capabilities and the ability to make changes to their processes on-the-fly.

The insurance market leaders have adopted the basic levels of BPM and SOA and are moving to the next generation, defined in the next section. What is right for each organization again depends on the business strategies – and the level of BPM and SOA adoption should directly link to the business capabilities required. However, what we are seeing are insurers seeking a basic level of SOA adoption to solve a specific business problem and leveraging a solid governance model to consolidate business services across lines of business. State of the industry is clear. Market leaders, however, have been investing in BPM enabled by SOA and continuously evolve with many having dynamic capabilities and the ability to make changes to their processes on-the-fly. See Figure 2 for illustration.

Figure 2

How do you get started? Develop incrementally!

Objective: *Incremental* business transformation leveraging existing IT assets

Approach: IT architecture leveraging business services, set up with business policies, kept loosely coupled to maintain process simplicity
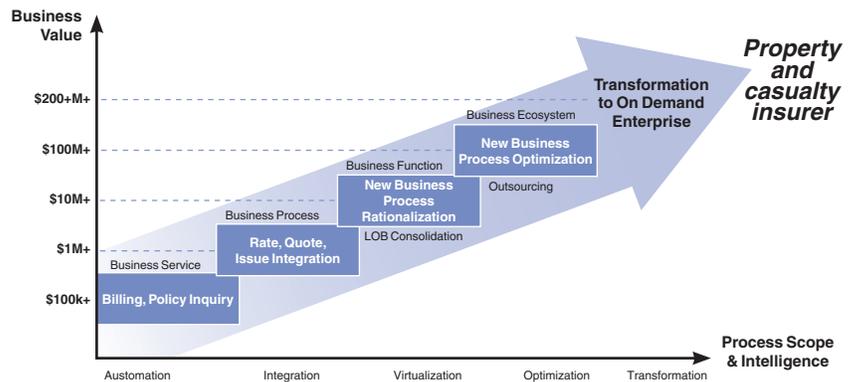
The next generation: Looking ahead, moving forward

As we look forward to the future of business capabilities being evaluated and even implemented at some leading insurers, we are seeing insurance companies designing business operational profiles and executing the profiles that meet the business event and business activities at the appropriate time to truly sense and respond.

This is enabled by business event processing, or the ability to receive or extract business events from multiple sources. Also the ability to detect "business situations" based upon event patterns and data (predictive variables, actuarial variables, etc.). These derive new events (through information enrichment), allows business users to detect, evaluate and react to business events in real time and take the appropriate actions.

Business event process capability is available, the capability on the business and technology is ready, and it just requires an insurer to have the maturity in the mindset of business capabilities as a service. When an insurer implements this level of maturity and precision in the business process, there will be no stopping them from exceeding all expectations of the customer, agent/broker, stakeholder and employee.

The business value of BPM and SOA together at the business process level is unique, providing constantly escalating return on investment (ROI).

The benefits: Building a business case

Across the insurance industry, leaders are looking from end-to-end processes with a different eye. These leaders will continue to change and drive business agility and innovation throughout the enterprise with a clear strategy, shift in mindset for business capability, and leverage business process management and SOA.

The business value of BPM and SOA together at the business process level is unique, providing constantly escalating return on investment (ROI). Of course, there are significant IT savings upfront, and the benefits to the business continue to grow in many ways like competitive advantage, superior customer service, responsiveness and ease of doing business for the customer and agent/broker.

The hard value ROI does not remain static as in BPM-only solutions because of the discoverability, sharing, and reuse at the business level that SOA contributes to the equation, and grows each time the flexible automation solution is accessed, and over time (that is with each sharing or reuse of the solution). The soft business value is realized in even further hard value operational excellences and optimizations.

Insurers' results are demonstrating the real value and benefits from shifting the mindset and leveraging BPM and SOA. The following is a summary of many case studies and implementations we have observed:

- *100% achieve some level of flexibility responsiveness in day-to-day business operations.*
- *97% realize decrease in overall costs and expenses in both business and IT.*
- *71% experience some form of risk reduction as it relates to compliance.*
- *51% see revenue growth.*
- *43% see expansion in enabling product development.*

Together, BPM and SOA quickly deliver compelling value to business, as well as IT leaders with a range of benefits for both. For example:

- ***Insurance business leaders.*** *Allows for full process modeling and simulating, along with optimizing with visibility, flexibility and compliance with all changes.*
- ***Insurance business process owners.*** *Enables empowerment for full dynamic business processes and quicker, more easily handled change management.*
- ***Insurance business users.*** *Creates more productive and responsive operations to align to customer and agent/broker needs—responding to the needs of the business at the pace of the business.*
- ***Business analyst.*** *Provides tools that simulate process results before designing and implementing.*
- ***IT architect.*** *Enables the insurer to leverage, reuse and extend existing assets against the IT roadmap.*
- ***IT leader.*** *Creates an IT environment that delivers faster time-to-value, reduces bottom-line costs and changes the paradigm into a profit center, thus contributing to top-line revenue.*
- ***IT developer.*** *Allows for easier collaboration and integration across the process stakeholders.*

As we uncover best practices around execution and governance, the standard is enterprise linkage. Once the business strategies are in place, the business initiatives are clearly defined and launched. This is where the design and implementation of the dynamic business models to create the redesigned business processes happen. This should be facilitated by BPM and SOA from the business view. Then the appropriate IT investments will take place, all supported by the overall governance program as in the figure below. Like all projects, each initiative should require a detailed cost benefit analysis and ROI with firm performance metrics. See Figure 3 for illustration.

Figure 3
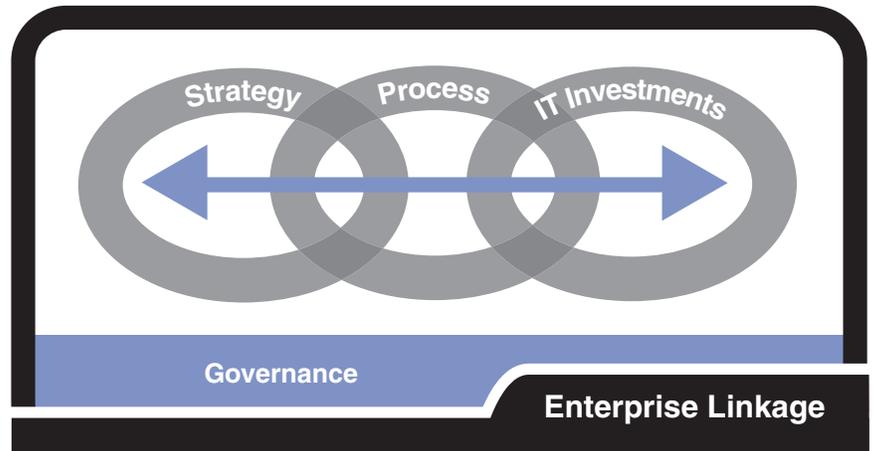
Source: Smallwood Maike & Associates

Figure 3: Linking IT investments through business strategy to process.

In conclusion: Call to action for all insurers

Change is at the heart of most businesses. It is an opportunity for them to draw upon their own energy and ideas to collaborate and differentiate their companies from the competition. For the insurance industry, insurers can leverage demographics, distribution channel and competitive landscape to create the catalyst for change.

Insurers are beginning to define clear strategies and explore re-inventing core business processes and capabilities. By embracing the power of BPM and SOA, insurers can align business and IT with capabilities to facilitate business process design, automation, innovation, sharing, and reuse, and to have full visibility to track and monitor their business and adjust to marketplace shifts, changes and demands. And real-time, event-driven processes that are automatically adjusted to marketplace triggers and events are available today and ready for leaders to embrace.

There is a call to action for every insurer across the industry to embrace change, create dynamic business models though a service-oriented mindset and leverage the capabilities of BPM and SOA. The opportunities and possibilities are endless.

About Smallwood Maike & Associates, Inc.
Exclusively servicing the insurance industry, Smallwood Maike & Associates (Smallwood Maike) is a new breed of strategic advisory firm offering a unique blend of research, advisory and consulting services to both insurance companies and solution providers. By leveraging best practices from both the management consulting and research advisory disciplines, Smallwood Maike's service offerings are actionable, business-driven and primed for companies eager and ready to embrace change and achieve business success. Additional information on Smallwood Maike, its founders, and its services can be found at www.smallwoodmaike.com.