

*Imagine if*



**Smarter Insurance Processes in 2010**  
**Streamline Insurance Processes with Business Rules**  
**to Cut Costs, Speed Operations and Respond**  
**Dynamically to Change**



*Imagine if you could increase pass-through rate to over 80% and new business flow by 50%. Imagine if you could introduce new products faster and implement rule changes in days or real-time versus several months, while consistently enforcing your underwriting, claims or corporate guidelines across processes and channels with the utmost of transparency and comprehensive audit trails.*

### **The challenge**

In today's marketplace, the insurance industry must work against relentless change. Carriers of all types and sizes must respond to a changing regulatory environment, introduce new products quickly and grow market share in a highly competitive market while reducing their operational costs and risks. Achieving this objective is no small feat considering that most carriers must operate with multiple legacy systems in place where rules are either hard-coded or decentralized resulting in lengthy implementation cycles. This is combined with disjointed processes and paper-intensive practices that have an adverse impact on speed to market, cost reduction, transparency and efficiency objectives.

### **Smarter is ...**

Smarter insurance processes go beyond basic automation by adding intelligent decisioning capabilities for greater agility, speed and transparency. This automation not only cuts costs by reducing manual tasks, bottlenecks

and errors—it also delivers the right answer to the right person at the right time. These processes allow you to adapt to regulatory and market changes in real-time or days versus months. With smarter insurance processes in place, operational risks and costs are significantly lowered, clients, staff, agents and brokers are more satisfied, and higher revenue is supported with tools for growth through better information and change management.

These processes can help you deliver optimal outcomes such as assigning claims based on adjuster skill sets, automating 'best practices' across your insurance operations for greater consistency and accuracy, effectively up-selling and cross-selling while dynamically guiding your agents and customers online as well as creating flexible risk and rate tiers that support your customer segmentation strategies at a granular level. You begin to see a return on investment (ROI) in no time, from driving a profitable book of business and cost savings to productivity and speed to market gains.

## *Building smarter insurance processes with Business Rule Management Systems*

### **CASE STUDY**

#### **Travelers streamlines underwriting with BRMS for greater profitability**

Imagine if you could dramatically improve your pass-through rate for small business commercial lines, increase new business quotes and achieve significant speed to market gains. Imagine empowering your underwriters, actuaries and IT staff, enabling greater collaboration between groups and ensuring transparency throughout the process.

Prior to creating a streamlined business rule management system-based underwriting system, business rules were dispersed among a variety of applications, making control and maintenance very difficult. This was having an adverse impact on speed to market, growth and efficiency objectives.

Today, a fully automated rules-based underwriting process has enabled Travelers to increase its new business flow significantly. Moreover, business rules are centrally maintained and advanced rule management capabilities

have empowered both business and IT users with the ability to easily test, create and maintain rules. IBM WebSphere® ILOG Business Rule Management System (ILOG BRMS) is used throughout the process to automate such functions as eligibility determination, risk assessment, pricing and referrals.

The underpinnings of the successful deployment of the underwriting system at Travelers include automated product and underwriting positions and guidelines, a sophisticated pricing model which aligns price with risk, a high degree of straight-through processing (STP) to enable ease and speed for agents and customers, and a powerful and flexible BRMS to manage the rules that govern product, underwriting and pricing guidelines (Business Rules and Underwriting Automation at Travelers, Celent, 2008).



### **Business rule management systems dramatically streamline insurance operations**

Property and casualty, health and life insurance carriers looking to improve operational efficiency, optimize processes and enhance customer retention and acquisitions rely on IBM WebSphere ILOG Business Rule Management System (ILOG BRMS). With ILOG BRMS, decisions are automated with speed, consistency and accuracy to cut costs and distribute profitable performance throughout core processes and across lines of business, including:

- Underwriting
- Rating
- Claims Processing
- Fraud Detection
- Billing
- Commission Payments
- Annuities and Asset Management

### **Streamline the Underwriting and Rating Process**

WebSphere ILOG BRMS is widely used by insurance carriers worldwide to automate and add decisioning capabilities to their underwriting process across lines of business. Underwriting with ILOG BRMS avoids “one-size fits most” decisions and instead drills down to the most precise policy and pricing fit for any set of circumstances, allowing carriers to acquire more customers faster at reduced risk. Carriers can create flexible risk and rate tiers that support their customer segmentation strategies at a granular level and obtain underwriting decisions at multiple points during the process.

Consistency, higher quality underwriting decisions, lower costs, higher satisfaction and significant increases to STP are all part of the value driven by ILOG BRMS.

### **Improve claims processing effectiveness**

Claims inefficiency and fraud are a key source of escalating costs for insurers, and customer loyalty and retention are often affected by an insurance company’s ability to process and settle claims in a timely manner. With ILOG BRMS, insurance carriers can improve the effectiveness of claims processing and deliver a consistent level of service across customer touch points while realizing significant gains.

ILOG BRMS is widely used throughout the claims process and across lines of business for such functions as claim segmentation, fraud detection, case assignment, adjudication, payment and settlement as well as regulatory compliance which varies from state to state. Carriers can effectively assign claims based on multiple criteria including adjuster skill sets, contractual obligations and workload balancing. Moreover, ILOG BRMS supports multiple attributes and dimensions for risk segmentation and analysis at a granular level, enabling carriers to take a comprehensive approach to scoring and identifying suspicious claims by combining a best-in-breed BRMS with analytics. Best practices can be automated for handling, processing and settling claims and to trigger notifications when needed, reducing training and claims leakage costs while improving customer retention.

## **CASE STUDY**

### **Vision Service Plan streamlines claims processing, rating and lab assignment**

Imagine processing one million claims per month with a pass-through rate of 80%+ and productivity gains of 30%. Imagine obtaining a comprehensive audit trail of rules and decisions rendered and ensuring consistent enforcement of regulatory and corporate guidelines across processes and channels.

Prior to adopting a BRMS, VSP was hard-coding rules. As a result, implementing rule changes took months, slowing speed to market, productivity and efficiency objectives.

Now VSP has externalized business rules using WebSphere ILOG BRMS, using rules across processes in a SOA. By doing so, VSP has achieved consistent and accurate validation and processing of claims, pricing of products and enforcement of regulations that vary from state to state as well as improving speed to market.



### **Streamline commission payments and improve sales effectiveness**

To boost sales, commercial executives need to motivate distributors, partners and employees. A big part of this motivation depends on good internal support. Each sales network member has a specific commission agreement based largely upon product and service portfolios, which can frequently change with new offers. Relying on manual systems and a variety of IT applications to calculate commissions often results in errors, which in turn can generate discontent within the sales force.

IBM WebSphere ILOG BRMS can model and automate your process for calculating sales commissions. It comes with a readily understood business rule language that enables commission plan managers to directly change rules to suit sales strategies, launch new offers or address distributors' performance. No matter how complex the commission plan, you can automate it with ILOG BRMS. Furthermore, centralizing the rules for the plan in a single repository guarantees the plan's coherent implementation and provides a means to track network and agent relations over time.

General management and sales departments can use ILOG BRMS to simulate and evaluate the impact of a new commission plan before implementing it. As a result, final decisions can be based on measurable facts and take into account the specifics of historical sales data. The commission strategy serves as a tool used to manage external sales networks, and sales representatives can simulate their commissions through an easy-to-use portal.

### **About IBM ILOG BRMS**

By switching from manual or highly-siloed processes to BRMS-enabled smart processes, insurance organizations are automating and adding decisioning capabilities across processes, systems and channels. ILOG BRMS lets you eliminate decision silos by externalizing business logic from your application code. It is the most flexible way of creating, maintaining and implementing decision services – the decision points within business systems.

#### **Key benefits:**

- Streamlines and stabilizes processes by externalizing decision logic
- Enables re-use of decisions across different processes, applications and systems
- Provides an effective means to manage large and evolving sets of rules
- Enables automation of complex, highly variable decisions
- Centrally maintain and manage rules across processes and channels
- Empower business users with the ability to test, create and maintain business rules and perform 'what-if' scenarios
- Obtain comprehensive audit trails of rules and decisions rendered



## Next Steps

### Request a custom demo

Our interactive demonstrations are performed either online or on site and are scheduled at your convenience. We will be happy to travel to your site for groups of five or more.

### Request a Discovery Workshop

Two day, complimentary workshop designed to help business and IT teams work through their project questions together, ensuring that BRMS is the right solution to the right problems before making a BRMS investment.

### Start small with a quick win pilot

Imagine if you could deploy working business rules in 9 weeks. With a quick win pilot, you start small, applying business rule management to a particular application. This pragmatic and incremental approach is designed to deliver faster ROI.

## Contact us

We will respond within 48 hours.

### Talk to a live person

These specialists are available to assist you in your WebSphere IBM ILOG BRMS solution identification and research. You can email or phone them directly.

1-800-FOR-ILOG

[logcc@us.ibm.com](mailto:logcc@us.ibm.com)

### For more information

For more information on ILOG Solutions for Insurance, please contact an ILOG Sales Representative near you or visit our Insurance Web pages, at [ilog.com/industries/insurance](http://ilog.com/industries/insurance).

## About IBM ILOG Business Rule Management Systems

### CASE STUDY

#### Samsung Life Insurance

Imagine if you could process thousands of claims across channels and identify fraudulent or suspicious claims quickly, reducing fraud and claims processing costs.

With more than 10 million policyholders, Samsung Life Insurance, one of South Korea's leading insurers, wanted to streamline and automate its claims and fraud detection process. Its previous insurance fraud prevention system was mostly manual. A new fraud detection system, based on WebSphere ILOG BRMS, now shortens the inspection time for processing 10,000 claims from two weeks to just one day. The system validates claims using 800 different factors,

including history of insurance fraud, number of insurance accident cases and number of insurance agreements. Moreover, the carrier is able to implement new filtering rules in a day and capture conditions for detecting fraud in detail.

*"Utilizing BRMS, we've shortened the inspection processing time for 10,000 cases from two weeks to one day, and field workers can now apply new rules in real time. The more I learn about the many features of ILOG BRMS, the more impressed I am with this advanced technology."*

*Dongchul Park,  
senior manager of the Claims Inspection Section,  
Samsung Life Insurance*



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