

# Insurance Exchanges

What's it all about?

eInsurance Symposium  
September 16, 2008

# Insurance Exchange Panel

## Panel Members:

- Eric Gewirtzman, CEO, SeaPass
- Kenny McBride, Exec. Director, Verizon
- Frank Sentner, Director IT, The Council
- Blake Stock, CEO, Combined Group
- Pat Walsh, VP Sales, INSTEC Corp

# Insurance Exchanges

## What is an Insurance Exchange?

It all depends on whom you ask...

- Aggregated coverage placement for reinsurance and large commercial risks
- Electronic communications network & transactional data integration utilities
- An Infomediary providing Bloomberg-style Insurance Market Analytics
- A combination of All Three

# Insurance Exchanges

## Past & Present...

- **Lloyd's of London – 1688 to Present**  
\$3.9B in Assets, \$7.7B 2007 Profit
- **The New York Insurance Exchange**  
March 31, 1980 to November 23, 1987
- **The Illinois Insurance Exchange**  
\$30M in Assets, \$5M in Capital/Surplus
- CATEX-Bermuda, RI3K & Xchanging, etc.
- The National Insurance Exchange

# Insurance Exchanges

**Future...**

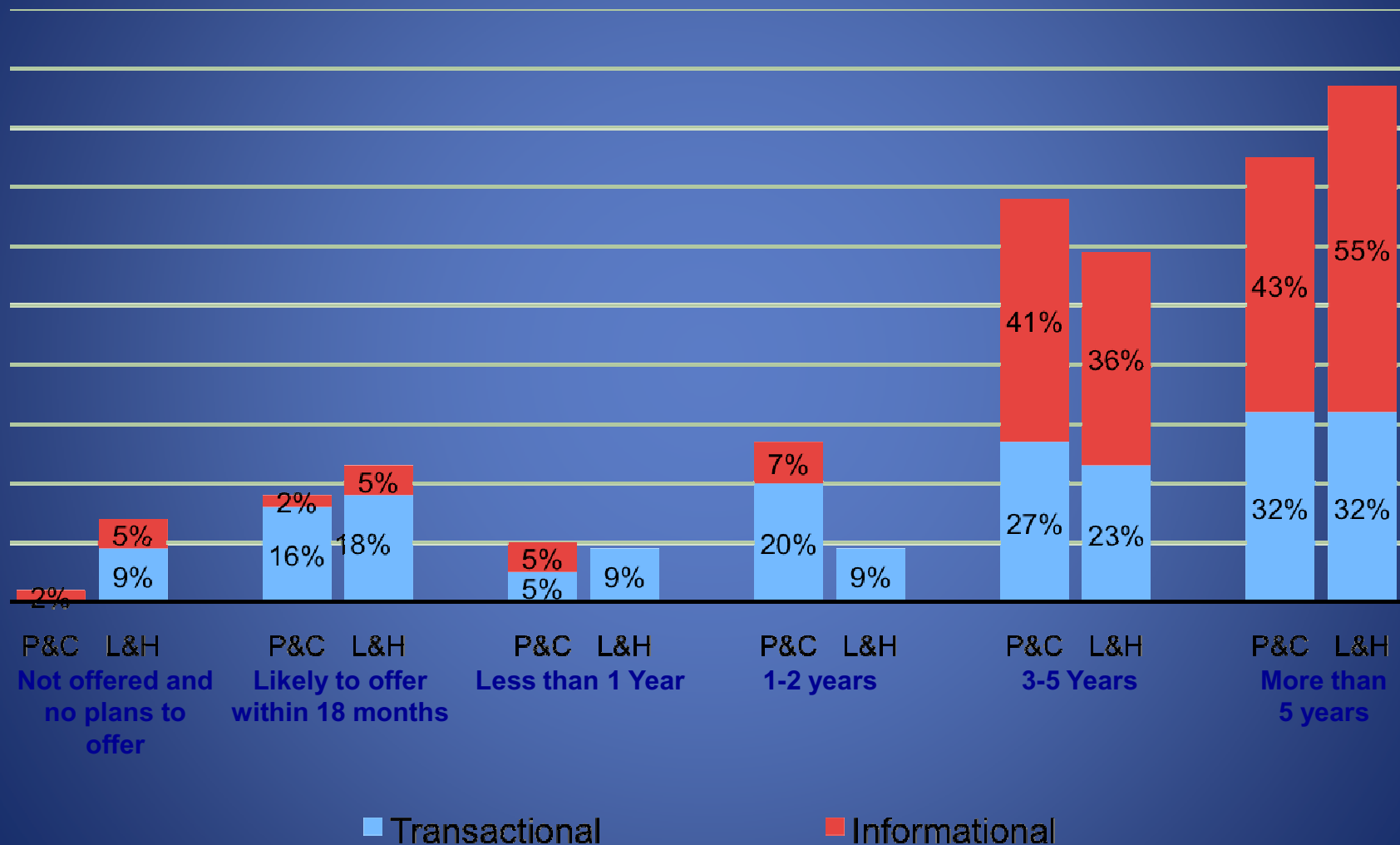
## **The New York Insurance Exchange**

- Based on NY Insurance Law §6201 (b)
- Eric Dinallo expects Launch in 2009
- Seeking Nationwide Authorization
- Initially Reinsurance, Cat, & Terrorism
- Private Equity, Hedge Funds, & Banks
- A Great Technology Platform is Critical

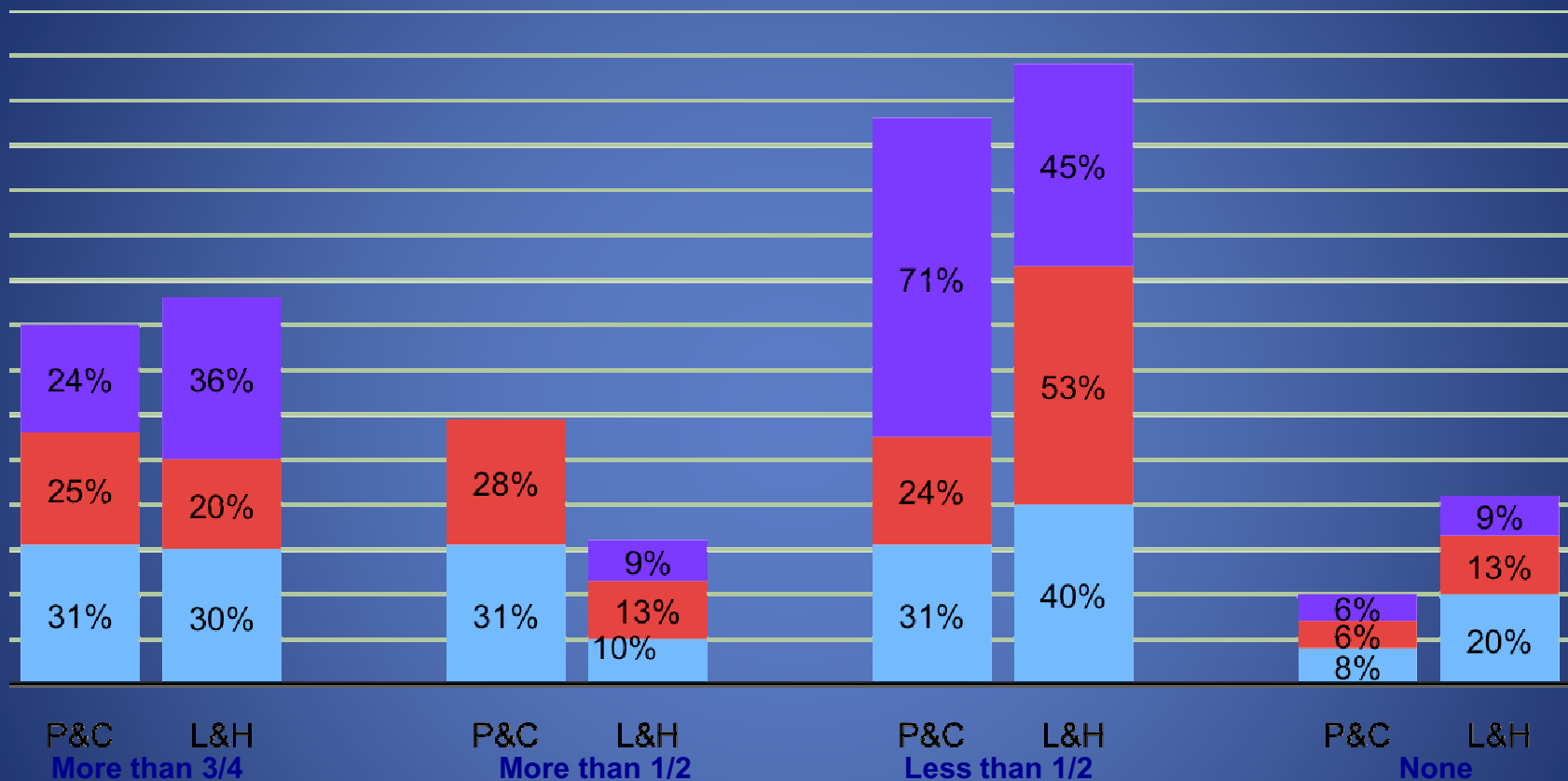
# The Council of Insurance Agents & Brokers

- The Council is the trade association representing the top 1% of commercial insurance brokers who annually write 80% of all property and casualty insurance premiums and administer billions of dollars of employee benefits.
- Focused on market-making, lobbying & technology
  - Annual Retail & Wholesale P&C and Employee Benefits Forums with members of the Council of Insurance Company Executives
  - Full-time legislative staff, annual legislative conferences, and PAC
  - Technology partnerships and sponsored initiatives
- The Council views proprietary insurer websites for submission of commercial insurance as potentially anti-competitive threats to member profitability & independence, and has sought options for years.
  - 1999: David Wetherell of CMGI makes Insurance ECN Proposal
  - 2001: Global Risk Exchange presents their Exchange Technology
  - 2003: SeaPass SEMCII Carrier-Integration Technology is Reviewed
  - 2005-2007: The National Insurance Exchange Initiative

# Agent Portal Deployment



# New Business Submitted via Portal



■ Captive agents ■ Independent agents ■ Large brokers





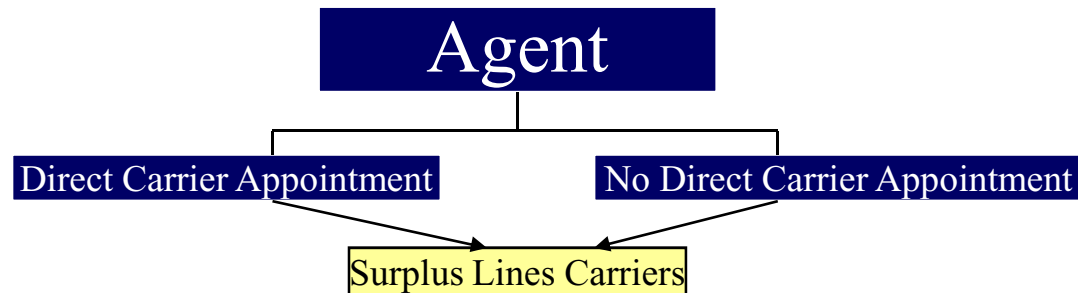
# QuoteExpress®





## QuoteExpress®

- ✓ In Need of Economies of Scale
- ✓ With or Without Direct Appointments
- ✓ Placement in Standard or Surplus Markets



- ✓ Expanded Underwriting Eligibility Appetite
- ✓ “Firm” Quotes = “Bindable” Quotes
- ✓ 24 / 7 Access for Small Business





## QuoteExpress®

Independence

- ✓ Retain 100% Ownership
- ✓ Agent Controls Profitability Of Business
- ✓ Continue Individual Carrier Contracts (If Needed)

Features & Functionality

- ✓ Online, Quick, Intuitive Interview & Rater
- ✓ “Fail Fast” (*on-line Appetite Guide*)
- ✓ Underwriter Access & Personalize Service
- ✓ Standard and Surplus Lines Available
- ✓ Applied System Upload



## QuoteExpress®

A dark blue circular icon containing the text 'Economic Efficiencies' in white, sans-serif font.

Economic  
Efficiencies

- ✓ “One and Done” means Less Paperwork
- ✓ Standardized Communication
- ✓ Bindable rate = Broker Confidence
- ✓ Cost Effective Entry Point(s)
- ✓ Seamless Integration with Carriers

A blurred image of a gold coin with the text 'Agency Benefits' overlaid in white, bold, sans-serif font.

Agency  
Benefits

- ✓ Grow Small Business book with Less Staff
- ✓ Greater Net Profits Equal Greater Valuations
- ✓ CSRs Go Home On Time & Happy!

# What about everything else?

- Brokers cannot Research All Markets & Continually Re-enter Submission Data
  - Insurers require Use of Proprietary Websites
  - Middle and Large Accounts Now Involved
  - Quoting All Available Insurers is Too Costly
- New Business Lost; Retention Imperiled
- Margins Low; Expense Reduction Vital
- New Regulation requires Transparency
- Solutions must be Intermediary-driven

# What do Brokers really need?

- Access to a Broader Range of Markets
- Information to Choose the Best Markets
- Electronic Data Integration with Insurers
- Standard Data and Communications
- Reduce Work and Increase Productivity
- Use Transactions to Generate Analytics
- Real-Time Market Status and Analytics
- Automatically Create Secure Audit Trail

# INTEC

- “Best-of-Breed” Rating & Policy Administration Software
- Designed for the Dynamic Nature of Commercial Lines
- Target Carriers and MGAs
- All Primary Commercial Lines of Business – All States
- Broad Portfolio of Specialty Programs
- Full Life Cycle (All Transactions)
- Print Full Policy and Worksheets
  - **6000** Bureau Forms; Library of Current & Historical
  - **8000** Client-Specific Text, Data, and Filler Forms
- Regulatory compliance
  - **3000** Bureau Rates/Rules/Forms/Stats **per Year**
  - Current and Historical Data
  - Taxes, Surcharges and Fees (including KY)

# INTEC Overview (track record)

## Carriers

American Modern Insurance Group	Hudson
American Contractors Insurance	Liberty Mutual
Compensation Risk Managers	Meadowbrook
Fairfax	MunichRe America
First NonProfit Insurance Company	Partners Mutual
Florida Municipal Insurance Trust	QBE
Gateway	Republic Group
Generali	Umialik
Great American Custom	
Guard	

## Service Providers (Provide QuickSolver access to other entities)

MFJ, Midwest Insurance Services

## Access QuickSolver via Carrier System

ChemPlan; McKee; NIF Group; Sullivan Group; Alliant; Rue; W.F. Clayton; CRU, Haylor, Freyer & Coon; Missouri Rural Services Corp; Western Insurance Agency, W.E. Love, IMA, Sports & Fitness Insurance, Lancer, Housing, Britt Paulk, Risk Placement Services...

## Program Administrators

AON (GAC, AIG, Virginia Surety)  
ARA Insurance Services (Praetorian)  
Haake (Praetorian)  
HBW Insurance Services (several)  
InsuranceNoodle (St. Paul, CNA)  
Lockton (SwissRe, Praetorian)  
Smith Bell Thompson (Berkley, Navigators)  
Morstan (several)  
NSM (Tower)  
Thomco (Stonington, Zurich)



# Insurers' Business Perspective

- Need for Differentiation
- Control of Underwriting
- Business Development vs. De-selection
- Cost Control
- Revenue Trumps Generic Technology Investments

# Insurers' Technical Perspective

- SEMCI is hard to do in a legacy world
  - How hard to connect to an Exchange?
- Technological Enhancements
  - Platform and Deployment Model
  - Functional
  - Interconnection is hot

# So Where Do Insurers invest?

- Trend toward Richer Websites (RIA)
  - High-Definition User Experience
  - More Productive Users
  - Policy Administration for the Enterprise
- Trends: Components + Interconnectivity
  - Break Down Monolithic Systems
  - Connect with External Entities and Systems
  - Positioned for Future
- Can have only one priority #1

# Frank Sentner, Consultant

- Providing technology solutions to the insurance industry for 30+ years
- 1976-1982: Managed development of the **First ACORD Forms-Based Agency Policy and Claims Management System – Insurnet**
- 1982-1992: Founded Creative Information Systems Company (CISCo) and designed the **First ACORD AL3-Based Agency System – Sagitta**
- 1992-1995: CISCo merged with Aetna's Gemini Division to form CISGEM; developed **First All Lines ACORD Commercial Download**
- 1995-1996: CISGEM acquired by AMS Services where Frank served as Senior VP of Technology for All Agency, Rating, Insurer & Info Systems
- 1996-Present: Founded Soulware Ltd. to provide Consulting Services to Improve Business Process Integration between Insurers & Brokers

## **Significant Engagements Include:**

- Director of Strategic Technology for The Council of Insurance Agents & Brokers
- Broker Portal Design, Real-Time Data Integration & Commercial Download Projects for The Hartford, MSA Group, OneBeacon, Insurity, MiddleOak Group, and Others
- Regular Speaker and Trade Publication Interviewee on Insurance Technology Issues

# What about that SEMCI stuff?

- 142,969 Download & 8,295 Upload Pairs
  - 4,000 Insurers \* 25,000 Agencies = 100 Million Pairs
  - Each Pair Counted for Personal, Commercial, Etc.
- 564 Real-Time Integration Pairs
  - ~40 Personal Lines Quoting Implementations
  - ~25 Commercial Lines Quoting Implementations
  - The Balance are Inquiry Transactions
- So what is the problem with adoption?
  - Learning New Strokes while swimming the Channel
  - Costs are Inequitably Weighted toward Insurers
  - Agency Vendors = No Download \$\$; BIG \$\$ for R-T!
  - Insurers Don't Really Want to Implement SEMCII

A man in a dark jacket and light-colored pants stands next to a massive, spherical ball of twine. The ball is composed of many layers of brown twine, creating a textured, spherical shape. The man is positioned to the right of the ball, providing a sense of scale. The background shows a building with a wooden roof and a paved area.

**Building Data Integration One  
Pair at a Time is like...**

**Building The  
World's Biggest  
Ball of Twine,  
only...**

***with Constant Modifications!***

Frank Sentner

# The Platform is Our Topic...

- Corp. & Individual Participant Profiles
- Participant Customized Rules Engine
- Standardized Electronic Folders
- Structured Data – ACORD & Unique
- Unstructured – Emails, Docs, Images
- Automated Bidding & Notifications
- Data Integration to Public Information
- Data Integration to Participant Systems
- Market Analytics, Intelligence, Audit

# Verizon Business Fast Facts

- **Global Advanced Technology**

- More than 485,000 route miles
- Global IP footprint serving 2,700+ cities in 150 countries
- Advanced MPLS network delivering Private IP service in more than in 121 countries/territories
- Enterprise mobility offers more than 61,800 wired and wireless access points
- More than 200 data centers supported in 22 countries
- Five network operation centers, five security operation centers, including government network operations and security center
- DSL presence in 10 countries.

- **World Class Abilities; Next Generation IP Products and IT Services:**

- Wired-to-wireless networking, information, security, hosting, managed services, application management, mobility solutions, business continuity, storage, unified communications and collaboration, on-demand services and more.
- Integrated, flexible solutions with multiple platform and management options
- Local-to-global reach
- World-class account teams, supported by highly-trained sales and support experts
- Award-winning customer-first culture



# Verizon Business IT Solutions

## Managed IT Services

Discrete IT services common to every organization that can augment staffing and skill sets and improve application performance

## Managed Applications

Managing mission-critical business applications and web services

## IT Infrastructure Services

Managing facilities and underlying IT infrastructure for your business.

## Network Based Services

Distinguish The Process from The Technology



# Let's start with the basics...

- Infrastructure: Definition

***Infrastructure*** typically refers to the technical structures that support a society...

Economically, infrastructure could be seen to be the structural elements of an economy ***which allow for production of goods and services without themselves being part of the production process.***

# Exchange ECN Infrastructure

- Data Center Specifics
  - Cloud Computing – 3<sup>rd</sup> Party Hosting & Management
- Data Communications
  - Private IP / Extranet
  - Standards-based, ACORD, xBRL, XML etc
- Security
  - Network-based Security Data Loss Protection (DLP) in place
  - Complete Redundancy
- Performance
  - Defined Exchange “Process” with Infrastructure SLA
- Data Management, Reporting, etc.
  - Centralized Reference Data repository
  - Streamline Data Acquisition (Data Acquisition accounts for 40% of costs associated with reference data management in Capital Markets) Source TowerGroup

# SeaPass

- An Award-Winning Technology Company
- Solely Dedicated to Building Connectivity & Ease of Use Solutions for P&C Insurance.
- *Three Patented Technology Offerings:*
  - The SeaPass Gateway: an Intelligent Intermediary enabling Straight Through Processing for Carriers directly from Agency Management Systems  
(e.g. The Hartford Expressway, Selective xSelerate)
  - The SeaPass HUB: a Comparative Commercial Lines Real-Time Rating Solution. Multi-Carrier & Multi-Lines of Business in One Submission without Re-Keying Data
  - SeaPass Direct: enables Carriers to support Direct to Consumer and/or Business Owner Insurance Sales

# How do we build the system?

Lets start with what not to do:

- Do not require Carriers to invest heavily in changing their systems
- Do not force Carriers to change their Insurance Products
- Do not require Agents to invest heavily in changing their systems
- Do not change the fundamentals of the marketplace (appointments, etc.)

# What Should We Do?

- Clearly Define the Scope of what the Exchange will do for each Business Segment – Set Expectations Properly
  - *Remember – NYSE, Lloyds operate differently today than they did when they started*
  - **USE WHAT IS ALREADY IN PLACE !!!**
- Surprise!! – Our Industry's Big Secret:  
Most components are already in place!

# Use What is Already in Place

The Exchange Must Support:

- Multiple Submission Mechanisms
- Both Structured and Unstructured Data
- ACORD XML (for those lines available)
- Unique Supplemental Data (where not)
- Multiple Versions/Variations of Standards
- Tools to Map to Different Data Formats
- Leverage Existing Carrier Agent Portals
- Robust Workflow & Messaging Protocols

# Brokers & Agents: Challenges

The Key Piece of the Equation. Why?

- Their Business Processes must Change
- Getting their Staff to Change is Difficult
- They lack Dedicated Implementers
- Most of their Senior Managers are not Experience in Transforming Business Processes using Technology



# Brokers & Agents: Solutions

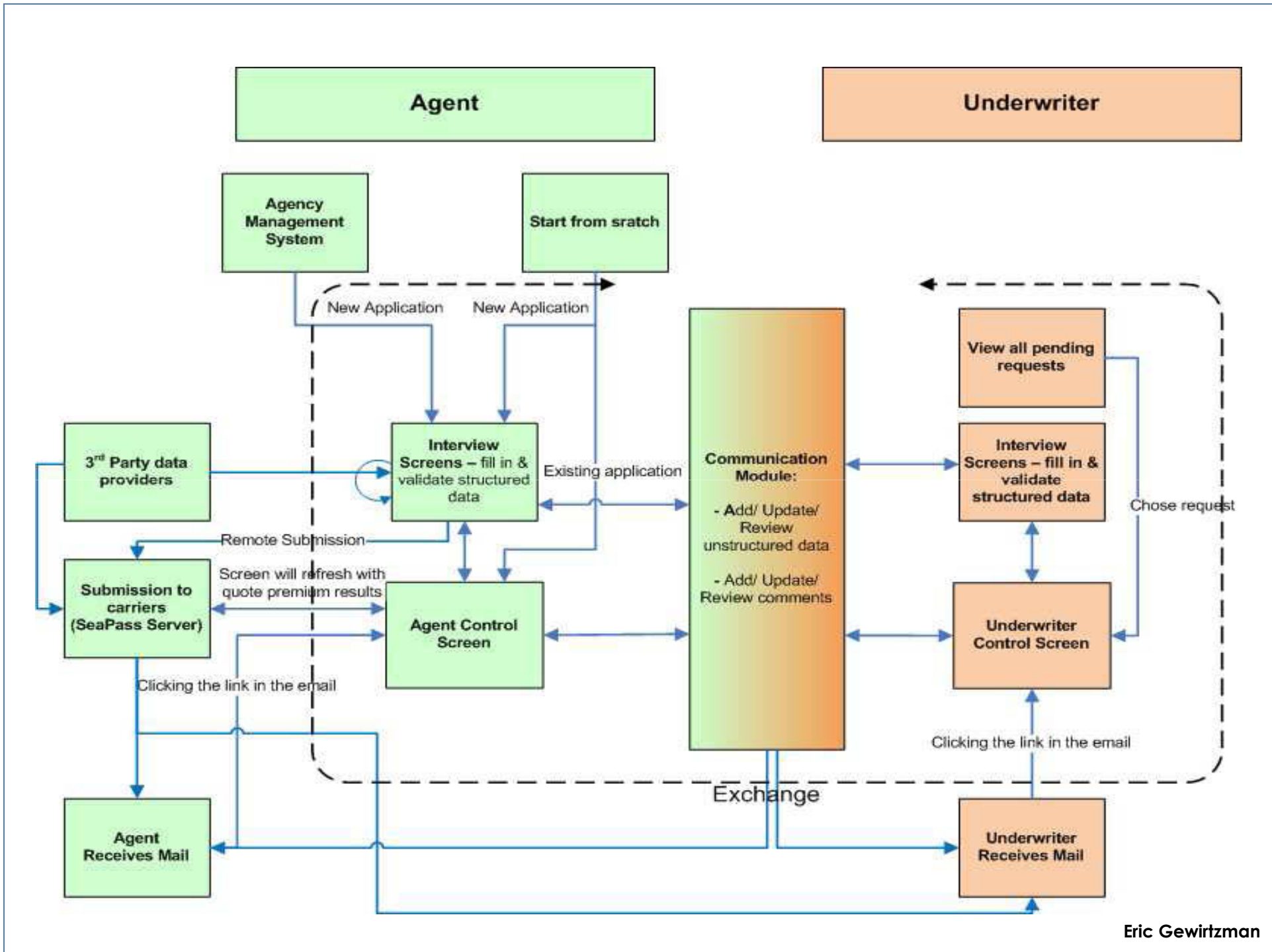
- Provide Training at the Executive Level
  - On the Benefits (Not Usage)
  - The Goal is to get Buy-In
  - Stress the Importance of their Involvement and Commitment to Enforce Usage!
- Provide Executive Tools
  - Dashboards
  - Benchmarks
  - Best Practices
  - Reinforce the Benefits

# The Workflow

- Agent starts either in their Management System or Directly at the Exchange
- Create an Account & Answer Questions Determined by LOB and Business Type
- Allow for Attachment of Schedules
- Account submitted:
  - To Multiple Carriers (selected by the Agent)
  - Via Carrier Agent Portals or
  - Directly to Underwriters via Exchange Email

# The Workflow (cont.)

- Carriers with Real-Time Support for LOBs/Business Types reply with Underwriting Questions and finally with a Proposal
- Carriers without Real-Time Support get an Email Notification with a Hyperlink to the Exchange to view the Account Info
  - Underwriters “Do their Thing” and reply with Questions or with a Quote (Both Generate Relevant Messages to Agents)



# How to fund it and who pays?

## Initial Funding:

- Agent/Broker/Wholesaler Investments
- Private Equity, Banks, Capital Markets
- Technology Company Investments

## Ongoing Revenue Sources:

- Broker License & Transaction Fees
- Insurer License & Transaction Fees
- Sales of Information & Market Analytics
- Targeted Promotion of Products
- General Advertising Revenues

# Panel Discussion & Questions