

Get Flexible

Service-oriented architecture helps insurers address a variety of business tasks simultaneously while reducing costs.

by Robert Geier

Innovation through service-oriented architecture is shaking up the status quo. Many companies are realizing tangible benefits through this new approach to the creation, evolution and management of information technology assets. Insurance companies are embracing SOA to unshackle themselves from their legacy infrastructures, to seek sustainable advantage and reduce risk in

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a rapidly changing business environment.

"It's about flexibility and cost," said Tony Buschur, vice president information services at Winterthur US Holdings, when asked why it adopted SOA. Winterthur US Holdings is using SOA to increase revenue and to reduce costs.

A real-time quoting application has made Winterthur US Holdings' products more competitive and streamlined how independent agents work with the company. Common

Key Points

- Insurers are augmenting and/or replacing their legacy systems with service-oriented architecture.
- SOA's services can help across the insurance value chain—from quoting to claims.
- SOA is feasible because of the emergence of Web-based standards.

services underlie the quoting application, gathering information from third parties and using predictive analytics to support rating and risk

Getting Started With SOA

Shifting to service orientation can seem like a daunting task. The good news is that it can be accomplished in bite-sized steps. It does not require the large scale investments needed for a new enterprisewide platform. An ongoing commitment is needed from business and information technology personnel toward building a more agile organization.

Identify Low Hanging Fruit

Business and IT executives should get together to sponsor a few SOA pilot projects. Begin with simple services such as "get credit report" that multiple departments can benefit from or the exposing of legacy application functionality as services to reduce integration costs and extend the life of existing systems. Begin to develop the skill sets needed for more substantial initiatives later. Use your early successes as a showcase to gain broad-based support.

Plan Your SOA

Once you've demonstrated results, take a step back to define strategically where you want to go with SOA. Narrow your focus to a set of business and IT objectives likely to get the biggest bang for the buck, such as "transforming the agent channel" or "accelerating the delivery of new

products." Use your planning efforts to choose the right projects to realize these objectives and to develop the core competencies, culture and technologies to execute successfully.

Make SOA Happen

A strategic focus will lead to the development of significant new capabilities. Core competencies, process and infrastructure must be matured to ensure that the services are developed and operated with sufficient integrity and performance, and to provide new tools to assemble services into measurable new processes. As Allstate experienced, once a core set of services and infrastructure have been implemented, they can be leveraged as a platform to deliver benefits more quickly and easily to other areas of the business. (See "Allstate Efficiency," page 78.)

Don't underestimate the need for cultural change. This means embracing values and behavior that support collaboration, innovation, technical discipline and the nurturing of talent. Any change inspires resistance, so mobilizing commitment and leadership from the right people in the business and IT is critical. Homesite demonstrated the strides that can be made through an effective business/IT partnership. (See "Homesite Home Insurance—Growth," page 78.)

management. SOA allows Winterthur US Holdings to quickly deliver these capabilities to their independent agents and to reduce costs by "reusing" the services across business units and applications.

SOA's Benefits

Service-oriented architecture is an approach to designing, building and deploying information systems from simpler, manageable building blocks called "services." Each service delivers a piece of business functionality that can be accessed over the Internet or other networks. The service delivers a response to a request. They exist independently of the processes that use them or the technology that carries out the underlying operations.

In the case of a "get-credit-report" service, any authorized user, such as an underwriting system, can request a credit score from the service, which in turn might obtain the credit score from a third-party bureau and return the information to the requesting system. The underlying software operations can be performed by existing systems or newly-developed or acquired software components. The requesting system does not have to know how the service performs its operations or accesses data.

Services can be mixed and matched to create entirely new appli-

SOA Case Study: Allstate Efficiency

“Driven to improve operational efficiency, we created core services to simplify access to a group of policy administration systems inherited from acquired companies,” said Kevin Rice, one of the information technology leaders at Allstate. “Our partners can now more efficiently manage their books of business rather than calling customer service. We reused the same services to create a new Web interface for our customer service representatives that reduced their need for training and improved their support of partners and agents. The bottom line for Allstate was improved customer-service productivity and customer and partner satisfaction.”



cations or deliver new business capabilities and processes. New applications don't need to be coded entirely from scratch, thereby accelerating the deployment of IT functionality and delivery of new business capability. The cost of connecting systems together, developing new ones and enhancing them to meet new requirements can be significantly reduced. Data that's hard to access can be easily obtained from one or more systems.

Services can be monitored and managed to prevent security breaches, ensure that the IT infrastructure is working as promised and provide metrics to manage risk, compliance and business process improvement.

SOA has become feasible in recent years because of the emergence of Web-based standards and technology that enables individuals and organizations to deploy and use

them on the global network. Industry-specific standards, such as ACORD, offer a common way to represent and communicate information, functions and processes.

SOA systems don't have to be built in-house either. Easy-to-use, standards-based services are available on the Internet by subscription from companies such as Salesforce.com that provide a customer-relationship management service that's suitable for small or large companies. Traditional software vendors such as Microsoft, Oracle and SAP are moving their products in this direction.

Insurance industry vendors are offering a variety of services such as legal letters. Simply by connecting their policy system to the service through a standard interface, a company can produce notices and other letters without needing to stay on top of each state's requirements.

SOA Case Study: Homesite Home Insurance—Growth

Most insurance products haven't changed a great deal, but some companies break through with new approaches.

Homesite Home Insurance used a service-oriented approach to establish a unique position in the homeowners insurance market and achieve rapid growth. "I was given the mandate to create a high volume and low touch homeowner underwriting process" said Chief Underwriter Manuel Rios. "As a new company, we were not encumbered by legacy computer systems and could do it right the first time."

An Internet quoting platform was created that enables precise risk assessments associated with a given property address. Geohazard evaluations are real time as opposed to the multiday process commonplace in the industry. Customers and sales representatives/agents, along with under-

writing personnel, access these capabilities for quotes and other types of support.

Claims personnel can leverage the platform to proactively identify customers whose properties are affected by a natural disaster. "Because we know the precise location of our properties we are able to quickly assess the impact area from a given storm or fire, allowing us to offer immediate assistance to our policyholders during their time of need." This type of responsiveness builds customer loyalty and attracts new customers to the company.

Homesite is a homeowners solutions company, and to that end, its platform is also used in helping other companies provide a property offering to their customers.



Five Forces Driving SOA

Technology Intensity. Insurance companies are technically intensive with products and services that are information based and lend themselves to automation. They have invested early and heavily in systems and have accumulated a large portfolio of applications, many of which are decades old.

Market and Regulatory Intensity. Competition from new companies with focused niches, banking and retail giants with large customer bases, and consolidated global and regional entities is heating up. Pressure to comply with state, Sarbanes-Oxley, HIPAA and Solvency requirements is constant and complex.

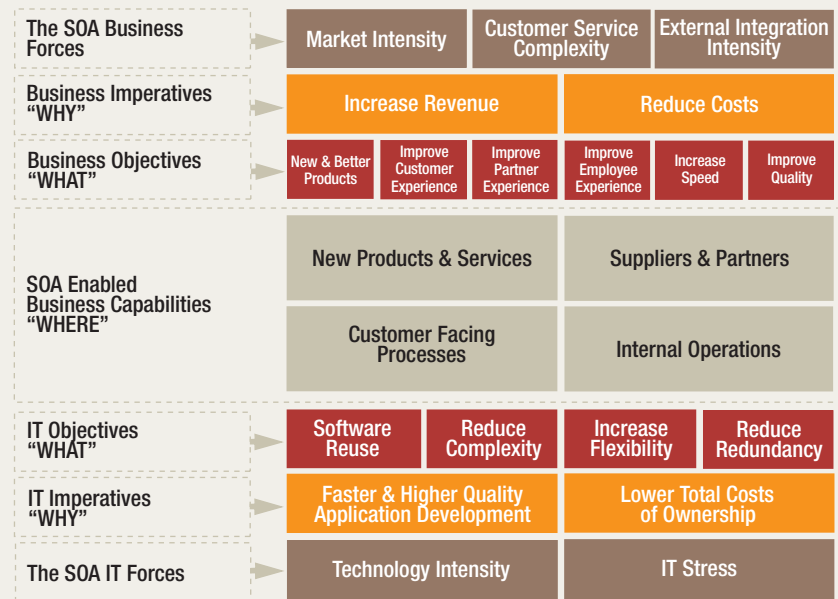
Customer and Service Complexity. Customers are expecting greater functionality and lower cost products and more seamless support via the Internet, agents and telephone.

External Integration Intensity. Outsourcing has become widespread as companies work with a variety of partners to serve their customers. Carriers, agents and other business partners are demanding more robust automation and adherence to standards. The bar is being raised as companies implement easy-to-use portals and capabilities that allow information to be seamlessly exchanged across companies.

IT Stress. IT is under stress to deliver new capabilities. Legacy systems, packaged software and poorly organized data make change difficult. Outsourcing can help reduce costs

How to Apply Service-Oriented Architecture

This SOA Drivers Framework highlights how companies are building services to deliver new capabilities that meet key business objectives and information technology objectives.



Source: The SOA Monitor

but doesn't typically supply the innovation that is needed.

Future Opportunities

SOA is likely to produce substantial changes in how businesses operate in the next five to 10 years. Chris Weber, owner of Abacus Insurance Inc., a Colorado-based health insurance agency, provides a different view: "The industry is at least five years behind retail and other industries in providing use-

ful, easy-to-use software services for the agent." He explained that his operation is still largely manual, and cited the challenges of learning and using the cumbersome tools that his carriers make available. "It's been chaotic dealing with the aftermath of some of the consolidations," said Weber.

In spite of the initial strides made by companies such as Winterthur, Allstate, Homesite and RI3K, there's clearly much to do. **BR**

SOA Case Study: RI3K—Services in the Marketplace

Service-oriented architecture has the potential to transform internal operations as well as interactions with trading partners. RI3K provides a paperless Internet-based trading service to the insurance and reinsurance industry. Chief Executive Officer Alex Letts and his team recognized the value of an SOA approach early. "Our original strategy back in 2000 was to build out a single silo, but as the service requirements grew and the engine got larger and more unwieldy, we decided in 2004 to break it down into a set of modules using a SOA," Letts said. "From a customer standpoint our SOA was a dramatic change. Previously there was one entry point to the RI3K service

and eventually you emerged at the exit point having gone through the entire service. It was very prescriptive indeed and held back adoption. The SOA architecture now allows users to access the parts of the service they require at the point they desire. From our own internal perspective it allows us to be far more agile in managing the service. Our development is bite-sized, and as a result we can be more responsive to customer requests for new or changed functionality. I would argue that SOA was the final enabler in moving the 25-year-old Electronic Insurance Exchange dream from hope to reality."

