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**USING BPM** TO REENGINEER ITS RATE-BOOK-ISSUE PROCESSES, CHUBB COMMERCIAL INSURANCE IMPROVED OPERATIONAL EFFECTIVENESS AND QUALITY WHILE REDUCING COSTS, REPORTS SVP AND CIO TODD ELLIS.

## Engineering The Future

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# Deconstructing the Business

Business process management software and process discipline are providing the means to introduce new levels of efficiency and transparency of operations. But while interest in BPM began with cost-cutting, it has become a weapon of strategic opportunism.

By Anthony O'Donnell

**I**N THE EARLY 20TH CENTURY, Frank and Lillian Gilbreth built upon the time study work of Frederick Winslow Taylor to develop time-and-motion studies. Perhaps better known for their family memoir, "Cheaper by the Dozen," The Gilbreths' passion for economy led to their development of a set of basic motions that allowed them to analyze and deconstruct any manual process.

Now, at the beginning of the 21st century, technology has provided the basis to deconstruct and reengineer not physical, but information-based processes, with revolutionary implications for information-based businesses, such as insurance. Business

Where CCI used to have multiple local RBI processes corresponding to its 40-plus field branches, it now has one standardized process, and its formerly disparate service force will soon be condensed into three service centers.

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**"BPM is emerging as a kind of business parallel to SOA," says Laura Mooney, Metastorm.**

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process management (BPM) discipline and technology have some distance to go before reaching maturity, according to industry analysts, but BPM projects already are scoring important victories — and they are pointing to the promise of a far-more-efficient future for insurance operations.

"The promise of BPM for organizations like ours and others is to drive greater discipline and awareness that companies need to define what their operational model is, what their business delivery is, and, therefore, at the highest level, what their business architecture model is," says Todd Ellis, senior vice president and CIO of Chubb Commercial Insurance (CCI), the largest operational division of Warren, N.J.-based Chubb Group (more than \$14 billion in 2005 revenue).

In May last year, CCI went live with its new Commercial Underwriting Workstation Inventory Management System, utilizing Baltimore-based Metastorm's BPM software, which serves as a front end to a reengineered rate-book-issue (RBI) process that preserves locally based underwriting and agency management while gaining the efficiency of a centralized service function, according to Ellis.



In addition to significant immediate efficiency gains enjoyed by Chubb, the success of the initiative "positions us to have greater cost transparency, deliver greater quality, deliver higher degrees of throughput, and to track down bottlenecks in our processing life cycle," Ellis claims. "In the long run, that will help us reduce our overall delivery costs, improve our overall quality and improve our overall efficiency — and all that benefits our agents, our policyholders and, ultimately, our shareholders."

## **From Frugality to Opportunism**

Chubb's BPM success marks an advance in the understanding of BPM for the insurance enterprise, according to Laura Mooney, senior director of corporate and product marketing, Metastorm. Interest in BPM began in earnest three to five years ago, when companies looked at the BPM technology as a means of simply cutting waste out of an organization and streamlining operations, she asserts. "Along the way they realized that many of their core functions revolve around business processes and that their strategic objectives thus depended on them," Mooney says. "That led to a realization that

BPM was more than just technology — that it involves people, change, improvement and a process-centric focus on how to run a business.”

Put another way, insurers’ interest in BPM is increasingly motivated less by cost anxiety than by strategic opportunism. An organization such as Chubb — having achieved greater productivity, service and accuracy in its commercial RBI function — will begin to see other vistas opening, Mooney predicts; they begin thinking, “Let’s start looking at how we can expand this across the enterprise and start taking advantage of process [improvement] for more-strategic initiatives — to generate innovation in the business, become more agile, and to use the visibility into processes that we now have to take advantage of other opportunities.”

Organizations without the insight Chubb has gained are likely not merely to fail to envision opportunities, but actually to act to impede them, in effect, by investing in more point solutions for underwriting, claims, compliance, etc., according to Mooney. “It’s about achieving end-to-end visibility across your business and having a process platform that connects the point solutions that you already have,” she argues. “Adding more point solutions will only add greater complexity versus bringing the applications all together under one umbrella that you have end-to-end visibility into.”

BPM’s power to analyze, decompose and reengineer processes is ultimately indispensable as part of a larger concept of business and technology architecture, in Mooney’s view. In that respect, “BPM is emerging as a kind of business parallel to SOA,” she says. “If you just implement service components without tying them back to core business processes — which is where BPM

comes in — then there’s a disconnect between IT and the business.”

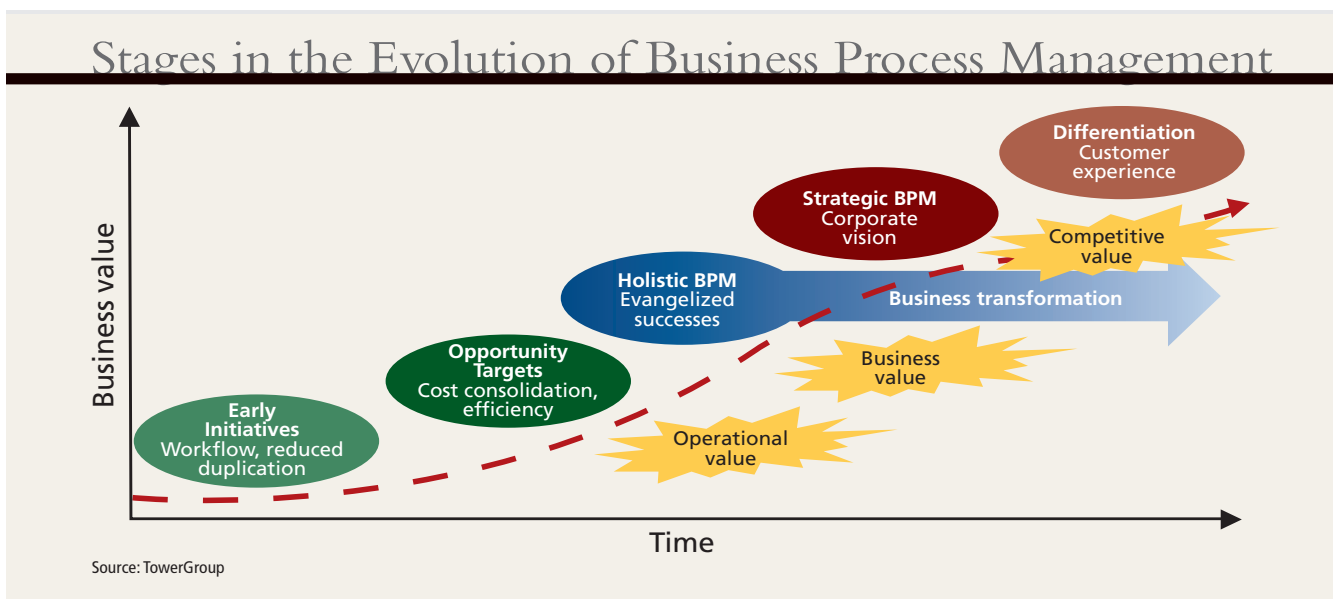
As such, BPM can help SOA gain traction, according to John Buten, director of product marketing for Pegasystems (Boston). He explains that, typically, the services that IT constructs are inconveniently granular and that while the business doesn’t want to build big “bricks” of functionality, clumps and clods would be more manageable than grains of sand.

“BPM can build services-oriented business applications that bind together many services into a process,” Buten says. “In that way, BPM can make SOA real and relevant to the business.”

The benefits of BPM also are more intelligible to business people reluctant to invest in reusable services just so other divisions that hold off can get a free ride, Buten submits. “When they can start seeing that a service is a business function that does Step A and Step B and presents Step C to them, they start seeing its relevance as something that moves their business forward rather than something that happens to be easier to call technically,” he says.

### Service Centralization Initiative

Chubb made a similar resolution in 2002 with regard to its decentralized rate-book-issue process. “We wanted to set up a process model that would geographically separate our branch underwriting employees and [RBI] CSRs, centralizing the latter in lower-cost locations where we could drive a higher degree of standardization and where we could begin implementing some tools that would allow us to gain a better understanding of policy-processing servicing costs,” explains Chubb’s Ellis. “We were chasing a way to improve our end-to-end policy servicing throughput and cycle times, and find solutions for automating functions in the policy processing and



Business process management (BPM) efforts are moving from small quantitative efficiency gains to qualitative business transformations, according to a November 2006 TowerGroup report, “Business Process Management: The Current State and the Stages of Evolution,” by Senior Analyst Rodney Nelstuen.

transaction life cycle — all of which would help lower our overall transaction costs.

In late 2002 Chubb gathered a business process study team. To ensure both thorough understanding of requirements and to minimize cultural change-management issues, the team included representation from home office operations experts and people fresh from the field, who understood the day-to-day operational realities of dealing with agents and the reasons field underwriting offices had the processes in place that they did, according to Ellis. In the earlier part of 2003, as the team began to give shape to a new process model, it identified the need for an underlying BPM/workflow tool as a critical success factor. The team began to explore vendor options informally, and by late 2003 it engaged CCI's IT organization, which, upon coming aboard as a full-time member of the process study team, began a formal RFP process.

"As a result of that, we began working with the team to outline what their business functions were and what technical capabilities we would need in order to arrive at a solution compatible with our internal infrastructure," Ellis relates. "By September 2004 we were documenting specific and detailed business requirements in earnest."

Given the significant degree of process change associated with relocating CSRs, CCI sought to avoid unnecessary changes in the application environment used by CSRs and their colleagues in the RBI process. That decision led to a requirement that the BPM tool be able to integrate with CCI's homegrown Commercial Underwriting Workstation (CUW), which serves as a comprehensive portal for underwriters and their assistants.

By the end of 2004, the team had identified Metastorm's solution as meeting its requirements. The vendor worked closely with Chubb on a proof of concept involving use-case scenarios that demonstrated development of workflow maps and indicated what would be required to implement the tool from a development perspective. "It gave us the opportunity to experience first-hand how the tool is used, and how easy and maintainable it is," Ellis relates.

However, during technical groundwork it became clear that it would be necessary to build a middle layer to feed Web services from the CUW to the Metastorm BPM application. "We applied an open-source business rules engine in that middleware layer that would be used to prioritize work orders prior to passing them to the workflow engine and routing them to the appropriate unit within a service center," Ellis explains.

### **Iterative Testing**

To ensure the Metastorm application could handle nationwide deployment, CCI drove an iterative testing strategy. The carrier engaged Metastorm strategic partner Collaborative Consulting (Boston) to help define performance testing methodology. One of the recommendations that emerged from that process was to incorporate application performance monitoring metrics across the application architecture. "We essentially put in monitoring facilities at all stages of the architecture so that we could monitor its performance," says Ellis. "A derivative benefit of that is that we could zero in on causes of performance degradation down the road more easily."

On the strictly human side of the RBI process reengineer, CCI decided that centralization of CSRs allowed them to be oriented on a single-line-of-business basis, as opposed to the local-office paradigm in which CSRs were required to provide service for all lines of business and thus be able to navigate diverse line-of-business systems, according to Ellis. Perhaps the greatest change-management challenge that remained for the centralization initiative to succeed was to prepare the underwriting staff to work effectively in geographic isolation from the CSRs, he suggests.

Chubb addressed the challenge by performing "reconnaissance evaluations," cataloguing existing processes and identifying gaps, Ellis says. The result of the evaluations was the implementation of a work-request documentation process supported by a manual "work request tool" — essentially a Microsoft (Redmond, Wash.) Word template — that would prepare the way for an automated work request once the BPM capability was brought online. According to Ellis, the template served as a kind of "pre-deployment" of the new inventory management system before the CSRs were relocated to the three service center locations that would support CCI operations nationwide. "Filling out manual templates and e-mailing them was sufficiently painful that when the new functionality was finally rolled out, everybody loved it," Ellis recounts.

That rollout began in May 2005 through a phased introduction with a limited number of branches on the West Coast into the first of three service centers. "The team refined the deployment approach based on that experience," Ellis recounts. "By the time we had done two iterations of deployment, the team felt we had a good, repeatable deployment package and began simultaneous rollout into the two remaining centers" located in the Midwest and on the East Coast. Rollout is well under way and will be completed by the end of 2006.

### **On Track for ROI**

Ellis declines to comment on the cost of the Metastorm solution or the overall inventory-management/service-centralization initiative. But TowerGroup senior analyst Rodney Nelsestuen has reported that the initiative is on track to achieve ROI within three years.

One of the lessons Chubb learned from the initiative is the tight relationship between BPM and business rules, according to Ellis. The middleware business-rules engine built between Metastorm BPM and the CUW suggested ground for further refinement, he says. "Maybe we need far-more-robust business rules management capability because we may want to work directly not only with units in the centers, but specifically with individuals within them."

The project also has introduced vital learning and confidence to support future BPM efforts across the enterprise, Ellis notes. The success of the CCI underwriting inventory management initiative highlights the value of defining business models and business architecture, and it also provides a tangible example for future projects, he contends. "Having something in-house gives business people ideas about what might be adaptable to their business problems," Ellis says. "They don't have to imagine it — they can see it."