

Where Are We?

ROBERT REGIS HYLE

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Discussions of mobile and wireless technology in the insurance industry usually come down to two points: Yes, the technology is cool, but do we really need it? There's little to argue about the first point. Being connected anywhere, any time gives agents and claims adjusters freedom they never imagined a decade ago. The second point, though, has been the defining issue regarding mobile/wireless strategies: Companies may be able to survive without such technology today, but without a mobile/wireless strategy, are they limiting the effectiveness of their operations in the future? Industry observers say yes.

Companies are waking up to the fact what they've been doing in the past has been too random, believes Karen Pauli, a senior insurance analyst for TowerGroup. The call to action for wireless, she maintains, translates into exploring the kinds of applications agents and claims people should have on their mobile device to allow them to gather data—information that then can be uploaded directly to the home office.

Celent senior analyst Chad Hersh thinks wireless is still on the cusp. "The technology actually has been a little slow in getting where it needs to be," he says. "The promise of ubiquitous connectivity has not panned out. It's here, but it took a long time to get here, and it's still pretty darn expensive."

From a consumer perspective, wireless connectivity has taken off, but Hersh asserts that's a far cry from what he expected to see on the business side. In 2004, he wrote a report for Celent asking whether wireless was ready for prime time. It turns out the adoption rates he predicted for 2007 (60 percent of P&C carriers with projects in production) are more in line with the numbers he estimated for 2005 (30 percent). "If you think about the capabilities since even last year of wireless modem cards and the lack of WiMAX, there was no compelling reason to switch to significant wireless projects," he says. "I would say from a claims perspective, I think you will see about a two-year delay [from his earlier predictions]. I think the 2007 numbers will be pushed back until at least 2009 because of the delays in mobile WiMAX."

There have been improvements in the design of wireless devices, according to Rod Travers, senior vice president, Robert E. Nolan Co., but he credits this to evolution more than innovation. He's not ready to call wireless/mobile use mainstream in the insurance arena, but he feels it is headed in that direction. "That's going to help with costs because the more people adopt the technology, the easier it is going to be to afford, since it's reaching a broader base of adopters," says Travers.

The adoption of wireless strategies is beginning to filter down to midtier insurers, suggests Shane Hughes, CEO of Pyxis Mobile, because there are more people carrying hand-held devices. "That begins to drive interest in what else they can get on these devices besides e-mail or local contacts," he says. The other driver is home offices want to increase the adoption of the systems they've already purchased, such as CRM or reporting systems, adds Hughes, noting, at the same time, companies are putting in a single repository they want to use to support their sales professionals in the field.

ESTIMATES AND APPRAISALS

The most obvious application for wireless in the property/casualty field continues to be claims and damage appraisal, indicates Travers. "Beyond those well-known applications, where you have some innovation going on is in the correlation of information related to location intelligence, so you are doing more pinpointing about CAT information and using location intelligence to put your people in the right place faster than what might have been before," he says.

Cincinnati Insurance contracted with Symbility Solutions in 2006 to arm the carrier's field claims representatives with the vendor's estimating software for property claims. The solution is used with Cincinnati's tablet PCs. David Rice, assistant secretary, headquarters, field claims, for the insurer, reports the company selected the tablets first before searching for the estimating software, but it found a good match. "Symbility was specifically designed for tablet technology," he says.

Prior to purchasing the new solution, Rice continues, the carrier used a different estimating solution on a license basis. "Quite a few in the field had [access to the earlier solution], but it was designed more for desktops," he says. "One of the biggest advantages with Symbility is it is available to everybody on a per-use basis."

FACE TO FACE

In Rice's view, the advantage for insurers with mobile technology is it allows claims reps to be face to face with the customer. "More than half of anyone's ability to communicate effectively rests with those interactions," he says. "Mobile technology has made good service even better."

He uses an analogy to explain the difference between good and better: At 211 degrees, water is really hot, but at 212 degrees, water is boiling. “That one degree makes a big difference,” he says. “The needs of our customers may or may not require lightning speed, but allowing for quicker resolution certainly can benefit the customer. We have found that to be very welcomed [by customers].”

Using another analogy, Rice compares the difference between traditional inspections and using any kind of estimating software to moving from a hand saw to a power saw. “The end result always is a cleaner cut,” he says. “It’s faster, and it’s better looking.” He remarks one customer commented that before his neighbors even had heard from their carrier about damage from a storm that occurred, the Cincinnati claims rep had contacted the customer and quickly settled the claim. “[The claims rep] was at the house the very next day to inspect the damage,” he says. “The check was in the customer’s hand, and repairs were being made. So, as far as measuring [the value of the wireless service], I’d say our customers are more than satisfied with what we are able to bring to them.”

The most noticeable back-office benefit Cincinnati Insurance has experienced with the wireless solution, Rice indicates, is a substantial reduction in the administrative and record-keeping work by the carrier’s storm-team managers during storm situations. “We’ve been able to examine data faster,” he says. “That’s still secondary to providing great service to customers, but it’s allowed me to take another look at what we’ve been able to accomplish. Staffing needs always are an issue. This helps identify those needs.”

AXA TO GRIND

AXA Distributor, part of the AXA Group, developed a wireless strategy for the wholesale division of the carrier’s annuity business—third-party distribution to AXA’s retail agents.

Back in 2001, AXA launched a wireless sales application people could use on hand-held devices, according to Nick Volpe, vice president of IT strategy with AXA Distributor. He reports the adoption rate was unsuccessful because the comfort level for the users was not there. “There was no killer app,” he says. “They didn’t have to use it as part of their business process. There also was an industry factor: The wireless atmosphere wasn’t what it is today.”

Flash forward to 2004, when AXA tried a new wireless strategy that focused on user adoption. It began simply enough, giving users e-mail and calendar capabilities, and has grown to a territory management system provided by Pyxis Software.

“In wholesale distribution, there are some key drivers that make a successful distribution channel,” says Volpe. “The most important is keeping wholesalers in the field and giving them the flexibility to travel quickly and fluidly and keeping them in the face of the brokers.”

E-MAIL STARTED IT

AXA decided the most critical goal for the strategy was enhanced communication, both on the corporate level and with internal wholesalers. “That was the driver for the e-mail launch onto the wireless devices,” says Volpe. “We launched that first because it’s the most common and most important application.”

E-mail and calendars got the users comfortable with the device, continues Volpe, and usage grew to 90 percent. Riding on the coattails of that adoption rate, AXA launched the territory management system, which among other things, gave the users the ability to look at sale information at multiple levels, activity history with the broker, the history of the broker’s contact with the wholesalers, whether the broker had made a quote online, any sales activity online, and all levels of activity.

The tool gave the wholesalers valuable information as they walked into a broker’s office while also making them efficient as they walked out of the broker’s office. “The ability to log activity is something they’ve been driven to use to save them time,” explains Volpe. “[The wholesalers] can log activities, and that promotes two things: immediate recognition of the activity internally as well as a fresh memory of what happened in the office. It becomes a much more valuable piece of information to have internally. Our strategy has been driven by the effectiveness of our wholesaling staff, giving the staff as much time in the field [as possible] and fluid movement because it is the backbone of distribution.”

Volpe reports the adoption rate for the territory management software is above 80 percent. “I can tell it has become an essential part of our business,” he says. “If it is ever down or not uploaded by 7 a.m., I begin to receive phone calls from wholesalers in the field.”

THE KILLER APPLICATION

The most essential application for any wireless user is e-mail, Volpe believes. “It’s your lifeblood to your company,” he says. “If you can give people who are not in the office every day the ability to travel with their main line of communication in their hand, you basically force them into adopting that device and the function of that device. They embrace that device because it gives them the ability to get contact and keep in communication with the company.”

That’s why the AXA strategy took off, he contends. “Let’s get them using the devices and feeling really comfortable with them,” he

says. "Once the users become comfortable and it becomes part of their business process to use these devices, let's give them stuff that goes above and beyond what they were expecting, which for us was the territory management tool. Now, the next thing is to try something new, whether it be GPS tracking or something else. That killer app was essential."

Incorporating a mobile or wireless strategy is becoming a competitive necessity for insurance carriers, asserts Travers. "If there is a killer app, it might be competitive parity—keeping up with the Joneses," he says. "In the event of a major incident such as a CAT, when you have the RV pulling up from the major carriers and their competitors don't have the technology to support the adjusters right then and there, it's a competitive disparity real players can't afford. I don't know if that's a killer app, but that's a strong motivation to begin the investment and start learning and building competency because it is going to be tough to catch up as time goes on."

GPS TECHNOLOGY

The incorporation of GPS information is finding its way into the mobile automation suites, observes Travers. It is helping carriers respond to catastrophes and anticipate where the damage might be, dispatch claims personnel to that area ahead of time, and allow carriers to react a little faster.

Many other industries have recognized and utilized the value of GPS and remote technology, notes Craig Bedell, director, global insurance services, MapInfo. "What we've seen in the insurance industry of late is in the loss control process," he says. "When carriers are going out to inspect assets, they can understand that, say, a refinery is not just where the mailing address is. Insurers are able to track particular assets and identify where they are."

A loss control representative for a carrier can use remote technology not only to get information; the devices are being built with site inspection reports and are GPS enabled. "Wireless is allowing insurers to do their jobs more effectively and with more accuracy, providing more accurate information to the carrier to make better individual decisions and corporate decisions on reserving, reinsurance, and fraud detection," says Bedell.

Volpe is excited about the possibility of GPS mapping for his wholesalers to use in the future. If a wholesaler is headed to a meeting that gets cancelled, he explains, it's difficult to find the next broker to talk to in that territory. "Wouldn't it be great if a wholesaler could say, 'Give me a list of all my reps producing more than \$100,000 within five miles of where I'm standing right now,' and then start making calls—real customer-service-type stuff," he says.

Straight-through processing could be achieved one day, he predicts, as more devices become Bluetooth enabled. The ability to put forms online in a BlackBerry format and put a paper in front of the customers to sign with a Bluetooth pen would allow the policies to be issued directly from the field. "I'm sure there are limitations, but those are the kinds of things I'd like to see coming in the wireless industry for the annuity world," says Volpe.

NO EXCUSES

All of AXA's wholesalers have been issued hand-held devices and laptops, but Volpe points out most of the wholesalers no longer travel with their laptops. "They have become comfortable enough to travel with only their BlackBerry," he says. "They have the ability to do all the work they need to do on a daily basis in the field with the hand-held. They have their e-mail, their calendars, and all their sales and broker information."

Security always is an issue for wireless and mobile usage, but Volpe comments there is a minimal amount of resident data on the device. "If a device gets left in a plane or an office, there is the concern it's a direct pipe into our network," he says. "However, the application we use does not have any resident data. It's all live data and is stored here in our home office servers. That's one way we circumvent the loss of a device."

The BlackBerry devices can be terminated from the home office, as well. "If the device is lost, the next time someone tries to hit a tower and come into our network, the device will be killed. It won't be able to be used," says Volpe.

Security is a concern for carriers, Travers agrees, but it is manageable. "It certainly could be an excuse [for not adopting a wireless strategy], but it's not a good reason not to be investing in this technology," he says. There has been increased availability of device protection capabilities, whether for encryption of wireless communications, encryption of hard drives, or encryption of data on hand-held equipment. Companies also have become aware of individual behavior that creates security risks and have gotten much better about training employees and instituting policies. "The technology is not the weakest link [in security]; it's the people and behavior," says Travers.

Security issues never will be solved fully, but Travers feels just because a carrier is using mobile technology, it doesn't introduce higher risk. "The security element is going away rapidly," he maintains. "It's not a good reason not to do it."

BETTER SERVICE

For now, Hersh believes wireless projects make more sense for carriers prone to dealing with catastrophes and carriers that have issues around location. He points out State Farm has a lot of drive-through claims offices. “If you have a drive-through claims center, why do you need a wireless claims solution?” he asks.

The direct writers are likelier to drive wireless, Hersh suggests, because they tend to focus more on service. “Service issues are driving [wireless claims projects],” he says. “When you are talking to your customers face to face about a claim, that’s when they will decide whether they are going to renew their policy with you over the next few years. Unless you screw something up, they are likely to renew. [Handling the claim is] your chance to shine in their eyes. That’s what they have been paying you for over the years.”

Hurricane Katrina was a great proving ground for wireless strategies, Hersh adds, but it also highlighted some shortcomings. “The cell towers after a few days stopped working once the backup batteries died,” he says. “Everybody learned a lot, and part of what they learned is we’re almost there.”

That is why he anticipates WiMAX will bring a drastic change to wireless strategies. “WiMAX has such a broad coverage range—somewhere between 10 miles and 30 miles,” says Hersh. “You can cover a wide area without gaps—a huge difference over Wi-Fi, which has such a short range. It will allow claims to be processed in an inconceivable environment—no electricity, no phones, no Internet coverage—and yet adjusters still will be writing checks and filing claims. From a customer service perspective, you certainly can’t ask for more.”

CRITICAL YEAR

Hersh expects 2008 will be a critical year for the rollout of 3G services and WiMAX, which, he believes, will be the real drivers for wireless claims. “Once those business-friendly technologies are in place—security wrinkles ironed out, a clear understanding of wireless connectivity—then and only then will carriers finally get to where they should have been this year,” he says.

He also blames lower adoption levels on the massive infrastructure projects required for wireless carriers and the fact the carriers haven’t got the cost model down to something reasonable for a business user. “I think if you begin to see wireless modem cards start to be reasonably priced, the data plans become reasonably priced, and ubiquitous coverage, in the next couple of years you’ll start to see a surge,” he predicts.

Pauli has observed a great deal of progress in terms of partnership between the software and hardware vendors. “These people have a level of expertise in terms of what their products can perform,” she says.

It can’t stop there, though, she asserts. “What [vendors] need to do is facilitate thinking with the carriers that know what their business is,” she says. “Facilitate and collaborate with the VP of claims administration who knows what his mobile claims people need.”

At that point, all sides can go forward and create appropriate applications. “The message I’m preaching is: Vendor community—you have to collaborate seriously with carriers, and carriers have to have a vision for their workers and let the vendors help with that vision,” concludes Pauli. “There will be leaders in the industry who will do this, and others who will say, ‘Oh, darn!’” TD