



CD-R Distribution in the Insurance Industry

Using The Rimage Perfect Image[®] Producer



R I M A G E™

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The insurance industry is a vast world-wide market whose products are documents. These documents or contracts along with reports, manuals and other pieces of information are still primarily being distributed on paper. There is industry wide recognition that the distribution of these documents must be faster and more efficient. CD-R publishing is one solution this industry is looking to for better ways to manage their documents. This white paper will discuss where the opportunities are within this industry for CD-R publishing and distribution using The Perfect Image® Producer.

Why insurance as an opportunity?

The U.S. insurance industry has over 4,700 companies. The international community adds another 1,400 insurers. The organizational structure, methods of communication and products sold are relatively the same within each of its segments. The applications below should be the areas of focus when discussing CD-R distribution along with archiving opportunities.

- Agent's Manuals
- Claims History Reports (P&C)
- Agent Billing & Commission Statements (P&C)
- Large Commercial Policy Contracts
- Document Archiving & Microfilm Replacement
- Product, Policy & Prospect Information to Agents (Life)

The first two applications may represent the best opportunity especially within the property and casualty segment of the industry. An analysis of these two applications were done based on costs provided by one of the industry's largest companies. The results showed a 64% cost reduction for the agent's manuals, and an additional 60% savings for their claims history reports. The savings from these two applications alone would pay for a 4-drive system for this company in three months.

All of the above applications are still predominately paper based. The industry acknowledges that this must change and is looking at the following technologies to provide a transition and ultimately a replacement to paper distribution.

- CD-R
- CD-ROM
- INTERNET
- INTRANETS
- DISKETTES

The internet and intranets will become the Producer's primary competition.

There are three principle groups that we will talk about in respect to this vertical market, and how each of them play a part in the sales process.

- 1) The customer. Contact the individuals that supervise the publishing and distribution of this information. Examples of these positions are listed on page 8. What criteria makes for a good prospect:
 - a) Property & casualty companies have the most potential, then life companies.
 - b) Start with companies that have revenues of one-billion or more, and then proceed to organizations with at least \$300 million in sales.
- 2) There are three groups that sell document management, publishing and distribution products to the insurance industry, and therefore, will become channel partners to Rimage. They are:
 - a) Hardware companies
 - b) Software companies or ISVs
 - c) Document printing companies
- 3) Software partners will supply a document management "front end" solution along with a search and retrieval mechanism, giving the customer a complete turnkey solution.

Rimage and its channel partners will utilize different vehicles to promote and sell the Producer.

- ⇒ Magazines - Insurance & Technology, Insurance Networking & Data Management
- ⇒ Trade shows - IASA Conference, Financial Tech Expo
- ⇒ Seminars
- ⇒ One to one selling through our VAR channel partners.

Overview of the industry

The insurance industry is comprised of three categories of insurers. They are life and health, property and casualty, and reinsurance. Below are some statistics that give a representation of where the business is.

- 3,054 U.S. property & casualty companies and 1,700 life & health companies.
- Another 1,400 international companies.
- U.S. writes 42% of the world's property & casualty business. Japan, Germany, the U.K. and France combined write another one-third.
- Japan writes 80% of the Asian life & health market and 12% of the world's P&C market.

- In the U.S. there are 500 life & health companies with at least \$50 million in annual revenues. The P&C market has over 1,000 in that category.
- The U.S. has 135 insurance companies with annual earnings of at least \$1 billion. “All of these companies are excellent prospects for the Producer”.

Even though each state has many domiciled companies, the main areas of concentration include:

- * Connecticut, Massachusetts, New York and Pennsylvania in the northeast.
- * Illinois, Iowa, Minnesota, Ohio and Wisconsin in the midwest.
- * California and Texas to the west and south.

Elaborating on the different segments of the industry:

- Property and casualty focuses on lines of coverage including: home, auto and liability from the personal side. The primary commercial lines include: property, commercial auto, liability, crime, inland marine and workers compensation.
- The life and health market is much more identifiable since most of us are familiar with the nature of these coverages. This market is also grouped by personal and commercial accounts.
- Reinsurance is a very small part of the insurance industry in terms of revenues and the number of companies involved. Their role is to act as a financial support or “bank” when it comes to insuring a large customer or risk. They will accept compensation from the primary insurer in exchange for taking on a percentage of the coverage or risk. These companies may also write specialty lines. One of the most recognizable reinsurers is Lloyds of London. German companies have the largest market share in reinsurance with the United States second and Switzerland third.

Let’s take a moment to describe the organizational structure of the company and industry. In both P&C and L&H markets the product is sold by an agent base. These agents may be an employee of the company which is mostly the case in the life & health market. In many circles they are called “captive agents”. The P&C market is different, in that, most business is sold through independent agents. These groups usually represent more than one insurance company and will do business much like a VAR. They will seek out the needs of a client and present the best company and pricing to the insured. Later on, under “applications” we’ll discuss how this group relates to the flow of information and the applications we’ve discovered. Underwriting and claims departments are unique to this industry. Underwriting is responsible for the creation of policy forms along with evaluating the insurability of the prospect. Claims staff evaluate and administrate all aspects of a policy claim and will work between underwriting and the customer to decide the payout of a loss. In addition to these unique groups we see many familiar departments such as marketing, human resources, accounting, information systems and manufacturing, or in their case - policy processing.

Departments such as underwriting and claims need to distribute customized, complex documents to a large number of end-users. In a smaller company this may be done directly through their department. Larger companies may have a department or group that manages and distributes these documents on behalf of the company. We'll identify some of the key positions to contact when we address the "principle groups". The end-user could be a branch office depending on the information, it could be the independent agent's office, or the customer.

The applications

Agent's Manual. In order to sell a company's products, the independent agent must have a detailed source of information to refer to. This reference is called an agent's manual, underwriting manual, or rate manual. It contains information relating to policy forms, rates via product line and state, underwriting rules and so on. Based on the volume of information, these manuals are usually distributed in 1-3 inch thick, three ring binders. They may be used by several hundred agents and be updated periodically through the year. Moreover, these agents all differ in the states they are licensed in and what product lines they sell, therefore, creating a customized, complex and lengthy document.

Claims History Report. Another complex document would be a listing of insured claims. This report would include all necessary information regarding the loss, explanation and decision of each claim for a specified period. This could be distributed to a P&C company's branch office, an agent's office or directly to the customer. The opportunity we are looking for would be a report of significant size to a larger commercial account, or a summary of activity within a region or an agent's territory. These are usually sent out monthly and/or quarterly. A Monthly Loss Expense Report would be a separate report similar to the Claims History Report and another candidate for CD-R distribution. This report would give details to that branch office or agent as to the comparison between claims expenses and premium revenues within an account or a territory.

Agent Billing and Commission Statements could be another P&C opportunity for CD-R distribution. Like the documents above, these reports can be very lengthy depending on the size and activity of an agent. They are all customized to that agent, and are primarily distributed on paper. The larger the report, the bigger the agent, and therefore, the better the chance that the agent will have the equipment to read CD's.

Large Commercial Policy Contracts would be an opportunity for P&C along with the health market. It would be cost effective while portraying a progressive image for the insurance company. These contracts may be dozens of pages in length and contain information such as company background, policy forms, data analysis, etc. Having the contract coverages and details on CD would also allow the customer to have easy access and instant archiving of that document.

Document Archiving and Microfilm Replacement within insurance is farther along than the other applications in terms of CD or optical imaging use. Documents including correspondence, policy

information, health and dental claims forms, employee benefit and pension statements, 401K statements are being scanned, or the data comes directly from the computer (COLD) and is published to CD-R discs. This allows claims, underwriting, customer service, and management personnel to access this repository of information on the network for faster more efficient workflow and customer service. We also see CD-R as a desirable means to distribute the same data or a reorganized version of the same information to 2nd and 3rd parties. Although digital document archiving or imaging is widely known and accepted, it's surprising how much of the market is still paper based or depending on microfilm for archiving. We found this true when we talked with several large companies from both the property and the life side of the business.

New Product, Policy and Prospect Information sent to captive agents within the life market. This data includes new information about forms, coverages, mutual funds, the insured's policy cash values, annuity statements, and lists of new prospects that the agent can contact. Currently, the agent's have been receiving this data via paper or a dial-up modem process. However, this repository of information is simply too massive and dynamic for the agent to download, and therefore, becomes an opportunity for one-to-one CD-R distribution.

All of the above applications may be opportunities for CD-R distribution, and therefore, the Perfect Image® Producer. Why CD-R media for document distribution?

- 1) It is more cost efficient overall than traditional paper based output.
- 2) CD-R publishing eliminates most of the processing required when producing a paper based document (ie., manual assembly, sorting, packaging, equipment handling, etc.) This automated handling will also create "zero defect production".
- 3) This vehicle may offer the end user an easier means of information retrieval along with a more efficient method of archiving.
- 4) Publishing to CD-R gives the distributor of information a means to archive, rather than keeping a copy of the paper document or storing the document on the PC or mainframe which uses a lot of memory .
- 5) CD technology now gives the sender the ability to package documents along with multimedia presentations creating an enhanced distribution of information while saving costs.

While no exact information is available regarding methods of distribution or the percentages of what is being used and for what applications. Insurance companies, along with software and hardware vendors all agreed that advanced distribution methods such as; CD-R, internet, intranets, CD-ROM, and even diskettes have just scratched the surface and have a tremendous future in micro-publishing and information distribution. Furthermore, all of the insurance companies knew of at least one of these methods, and had a conceptual strategy to use them, but were still predominantly paper based.

Let's take a closer look at two of the major insurance applications, the agent's manuals and the claims history report. This analysis was based on figures supplied by a very large property and casualty insurance company in the midwest along with supporting information from a leader in the document printing industry. Even though this company has instituted many new document

related technologies, and is one of the largest in its' industry, today they are distributing most of their information on paper. They are currently developing an enterprise wide strategy named the Automated Document Factory. Here they will look at all facets of document management, including hardware and software, with the plan of reducing costs and increasing efficiency. Rimage has teamed with an industry leader in document printing to present the Producer as a publishing and distribution solution along with their document management system.

With both of these applications, the information was created in MS-Word or another documentation software package. It is then managed and assembled in a software system that the customer has created. That system compiles the data and sends it to the high end laser printer for production. Once the documents have been printed they must be manually sorted by agent or account, inserted into a binder if applicable, shrink wrapped and/or packaged and mailed to its' destination. In the case of the claims history reports, they may be sorted again by the regional office based on the agent's or customer's need and re-mailed. This process has been identified as too costly, too slow and too labor intensive. Many insurance companies like this are looking to streamline.

An analysis of the agent's manuals showed that there were 266 manuals distributed in one of their primary states. Each manual averaged 115 pages. We assigned a laser printing cost of \$.04 per duplex page. Multiplying this over 50 states equated to \$61,200. Their assembly and postage costs per state averaged \$500 and \$300 respectively. This created another \$40,000 in costs per year. Comparing these expenses to an automated solution such as the Producer resulted in tremendous savings. Given a potential of 13,300 CD's to be distributed each year we applied a current rate of \$1.75 per CD based on volume usage. This would amount to \$23,300 in media costs. An additional \$7,300 for postage (\$.55 X 13,300). We then add another \$5,350 for this application's portion of the 3-year amortized cost of the Producer. The total job cost would be approximately \$35,950 or a substantial \$65,250 in savings per year.

We also looked at the figures for the claims history reports sent out monthly. There are 1,200 packages sent out with an average of 167 pages per package. With a cost of \$.04 per duplex page we have \$8,000 per month in printing or \$56,000 per year. Their monthly assembly costs averaged \$1,440 or \$17,300 per year. Postage was \$1,900 per month or \$22,800 @ year. The total annual cost of this project was approximately \$96,100. On the other hand, publishing CD's with the Producer cost \$25,200 in media (14,400 CD-R's @ \$1.75 ea.) and \$7,900 in postage. Add in \$5,350 for the amortized cost of the Producer, and the total cost is \$38,450. This results in another \$57,650 in savings per year. These two applications alone would pay for a four-drive Producer system in a matter of months. Moreover, They would realize a savings in materials and packaging, labor time spent on the job, and faster delivery to their end-user. In the process, they would also be creating a source for archiving for themselves and the end-user.

This same company is printing almost 70,000 pages of policy output per day to be sent to the branch offices or the agent. Although they would like to eventually send this electronically, they realize the shortcomings of the end-user having to access, download and archive this volume of information. Hence, the immediate benefit of CD-R distribution. Our discussions with this customer also revealed a number of benefits associated with CD-R archiving of policy and

claims files versus microfilm. They would have vastly improved retrieval capabilities along with reduced storage space, “shared” network access and distribution capabilities. To reinforce this application, a small, progressive company in Minneapolis has developed their own document imaging software and is currently publishing claims and policy correspondence to CD-R. Employees then have access to these records through a jukebox linked to the network.

Other technologies

While companies slowly invest in superior technologies, paper will continue to be widely used. However, there are other technologies now being considered or used for information distribution:

- **Diskettes.** Policy rates, manual revisions and other information may be distributed on older media such as diskettes. In fact, diskettes could be an immediate alternative for those agent offices who don’t have CD drives but wish to receive information other than on paper. The limitation with diskettes lies in capacity, versatility and durability.
- **CD-ROM.** There are insurance companies now who have just started distributing agent manuals and marketing programs on CD-ROM. While this media is less expensive than CD-R, one size must fit all. Applications like the ones listed earlier demand customization and simply won’t benefit from CD-ROM.
- **Intranet.** This technology has this industry’s attention. Life & health companies along with some property & casualty companies who have their own “captive” agents, are opting for an intranet. An intranet functions like the internet, but is installed specifically for that organization and its end-users. Although the use of intranets will become more prevalent in this industry, and serve many uses, the cost will make this a slow process. Even then certain information may not be well suited because of slow access, inefficient downloading and would still require the end-user to do their own archiving.
- **Internet.** The use of the internet for information distribution is quite similar to an intranet. However, there is the question of security, and migrating 500-1000 agents all over the country to have internet access. In addition, you still have the same concerns of slow access, down-loading, and archiving.

There is no question that the internet and intranet will be the primary competitors to the Producer and CD-R publishing. However, we must also keep in mind that one technology probably won’t be the best solution for all applications. Furthermore, the case study above proves how much opportunity there is in this market. What we must focus on are the customized applications listed above that are still paper or microfilm based. Internet technology is still in development and has obvious short-comings. CD-R distribution through the Producer is an active and robust technology providing benefits today.

Principle groups to this industry

We'll identify the appropriate contacts within the insurance company and give a recommendation or profile of the desired prospect. Although the key contacts will usually reside within the information systems area, the titles will vary. Here are some examples to try:

- Manager of Distributed Services
- Corporate Systems Development
- Director of Agency Automation
- Document Management Director
- Director of Printing and Publishing

Since there are so many possibilities, the obvious question would be “who is responsible for the publishing and distribution of information going to the agents and branch offices”.

What criteria makes an insurance company a good prospect for the Producer? The first recommendation would be to call on the property & casualty companies. Since they deal primarily with independent agents, this creates more opportunities for one-to-one customized documents. There is also the attitude that the company needs to take care of them or make it easier for them. This is not to say that life & health companies are not good prospects. However, we received more responses from this group that talked about an intranet solution as the desired distribution channel. There were also a couple of instances where CD-ROM was being used because it was easier to send all their employees/captive agents the entire volume of information and let them sift through it. The willingness wasn't there as much as to accommodate their end-user. The key here will not be the affordability of the solution. It will be in identifying the potential of the applications that offer that company a reasonable return on their investment. The company we analyzed earlier is a multi-billion dollar organization that is a strong candidate for multiple Producers. However, smaller companies in the range of \$2-300 million, should have enough expenditure in these similar applications to offer a significant savings. Therefore, we recommend starting with those 135 companies with a billion or more in revenues. But, remember that there are hundreds more of significant size looking to streamline their current system that would make excellent candidates.

Channel partners. Who are the people that the insurance companies are buying from? IBM and Xerox supply the hardware such as the high-end laser printers. They are of an elite group of solution providers. The major document printing companies provide the lions share of the printed products. We also see them as becoming document solution providers, in that, they are partnering with hardware and software providers to create an integrated solution. Consequently, they may be a re-seller of the Producer. There are quite a number of software developers specific to the insurance industry. They are called independent software vendors or ISVs. Most of these ISVs have a direct sales force along with VAR channel partners and perhaps a major re-seller like a document printing company or a solution provider like Unisys or Xerox.

Rimage Corporation is pleased to have partnerships with companies in each of these categories. Moreover, the Producer has been recognized by several high profile companies to be a leading solution in information distribution. We have several alliances now with ISVs that sell to the insurance vertical market. We are having discussions with several other ISVs and potential resellers that are interested in the Producer as an added solution to their product offering. One major document printing company has been looking at CD-R publishing as a value added service to their customers, and is interested in the Producer as a hardware solution they can offer. A couple of companies that sell a document management or policy issuance software system have interest in our product to add value to their efforts in streamlining those applications.

The third principle group Rimage works with are software partners. Now that we have identified a number of applications in insurance, we can create more value to the customer by offering an integrated solution. We know the insurance company has a variety of customized manuals, reports, policies, etc. The Producer gives the customer the ability to publish this “fresh” data to the CD, customize a label for each CD, and create duplicates. What is missing is the ability to manage or assemble this data so that each CD-R can be customized. Therefore, Rimage needs to work with one or more of its channel partners to integrate their software to the Producer so this process can be complete.

Rimage has partnered with several companies that offer this solution, and a few of these organizations are targeting this market. Their software allows the customer to collect, categorize, and index documents through a filtering process so the end-user can retrieve information via a word or text search string. After a table of contents has been built, documents can be assembled by any group or category the end-user wishes, and then is sent to an output device such as the Producer. All software needed to access the documents on the CD, including the database, retrieval, and viewing software is published and stored on the CD-R.

As an example, the insurance company wants to send out a product manual to a new agent. The publisher can select any product lines corresponding with the applicable states the agent is licensed in. The software will manage this process and then link the publisher to the Producer software to publish the document. The CD-R is created with the agent’s name and address on the disc. The agent can view the manual by section through the search mechanism supplied by the document management software. Because of this seamless integration, no software or hardware modifications are necessary with respect to the Producer. Rimage has had many discussions on this subject and our partners are eager to offer this integrated solution.

How do we sell to the insurance industry?

An excellent prospect list and source of information on individual companies in the U.S. is the AM Best Report. This reference can be found in most libraries and is broken down into separate books by property & casualty, versus life & health. It gives many particulars such as;

senior officer names, lines of coverage, annual revenues, a summary of their operations and even a top 300 listing by revenues.

There are a few excellent publications available in terms of advertising potential and pertinent technology to the industry:

- ⇒ Imaging magazine is well accepted for archiving applications.
- ⇒ The National Underwriter has the largest subscription base of 45,000 and does reach mostly executives and underwriters, who are the decision makers and document creators. However, it has too little an emphasis on technology.
- ⇒ We recommend Insurance & Technology magazine because it has a base of 18,000 subscribers and is well entrenched in most insurance IS departments.
- ⇒ Insurance Networking & Data Management is a new magazine as of 1997, but relates specifically to our niche.

The insurance industry does not have an abundance of trade shows to attend especially as it relates to technology. Here are the premier events:

- The NAII I/S conference. It is small in terms of attendees (600 or so).
- The Financial Tech Expo in New York draws well (10,000), however, it also focuses on banking and financial services. While this may be a distraction if your concentrating solely on insurance. For Rimage this may be a good venue as we target all of these markets.
- The IASA conference. This show draws significant numbers and has a technology theme to it.

The IASA conference is considered the industries finest. There will be many executive officers attending from the small to medium companies, and many VP's of underwriting, operations and IS for the larger companies. The Xplor digital printing show attracts a good number of larger companies as well, and is one that Rimage will continue to attend.

Another method of selling to the insurance industry may be to organize a number of product seminars across the country. Whereby, we send a mailing to target positions within a state inviting them to a free technology seminar and demonstration. As an example we are already in discussions with a major solutions provider and partner of ours to organize this joint effort. This will enable both companies to talk about their product as an integrated part of a new document management, CD-R publishing and distribution solution.

Along with publications, trade shows and seminars, Rimage will rely on the traditional one-to-one selling approach. Through our channel partnerships we will have many VARs selling our solution to an industry they are experienced with. In addition, a couple of our major resellers actually have divisions or account executives all over the country who specialize in vertical markets like insurance. This will allow Rimage to reduce the cycle time normally required to bring new products to market.

Summary

The worldwide insurance industry is a tremendous opportunity for CD-R publishing, archiving, and distribution. Moreover, the industry is eagerly searching for ways to rid itself of paper. While most companies are becoming aware of new technologies, the vast majority have yet to act on them. We are just now seeing CD-ROM distribution for manuals and marketing releases signaling the interest and value of this approach. Lengthy applications such as agent's manuals and claims reports require one-to-one customization and offer quick pay-backs due to the cost of printing and assembly. Policy and claims information is already being archived on CD-R for network access; however, most are still relying on inefficient means like microfilm or storerooms filled with boxes. Rimage has partnered with several key organizations already that sell to the insurance industry and more will join this effort. They all recognize that the Producer offers unique micro-publishing and distribution capabilities to this and other vertical markets. We also have several software companies willing to integrate their data management products to our system to create a turnkey solution. The addition of these valuable partners will prove integral as we successfully bring automation to a paper intensive industry.

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