

Product Lifecycle Management for Insurance:

Achieving Excellence in Speed-to-Market and Product Innovation



Today's competitive climate demands that insurers meet — or better yet, beat — their competitors in the marketplace with innovative, timely products. In order to survive, they need to sustain that pace while reducing the costs associated with product development and management for the long term.

In recent years, the market has witnessed new products becoming available mere days or weeks after the identification of a new opportunity. In the time it takes for some companies to realize an opportunity exists, the market leader has already taken the first to market advantage, leaving less agile insurers scrambling to recover their disappearing market share. While these occurrences are currently the exception, they are becoming more frequent.

How do the market leaders do it? Insurers, and their counterparts in the wider financial services industry, are discovering

Product Lifecycle Management (PLM), a proven strategic approach to creating and managing products from initial concept, through to retirement.

By addressing the many challenges faced in the market today, PLM empowers companies to:

- Streamline the product development process to reduce the costs associated with bringing new products to market
- Leverage components of existing products to create new products and get them to market faster

- Provide product managers with a single interface through which to view ALL product related information, regardless of the line of business or administration system
- Ensure data and rule integrity during straight-through processing

A 'cradle to grave' PLM approach that leverages an enterprise's complete product intelligence is good business. Camilion Solutions contends that for the complex and ever-changing insurance industry, it is a critical component of any strategy for growth.



What is Product Lifecycle Management?

Product Lifecycle Management is a strategic business approach that looks at the life of a product from initial concept to retirement. The product lifecycle can be summarized in seven phases: assess/validate, approve, build, launch, sell/service, maintain, retire. Most products, regardless of the industry, can be said to pass through most, if not all, of these stages. PLM technology provides the ability to improve efficiencies and manage products at every stage.

In simple terms, a PLM approach is based on a central repository of product-related information that can be accessed, manipulated and assembled in new configurations, creating new or modified products. Each configuration is documented as an assembled product made up of individually identified components.

As each of those components exists in the system on its own, it can be reused in other products. Therefore, product design is simplified and duplication minimized. In the case of an insurance product, a set of eligibility or underwriting rules, or application questions, may be applicable to many products. Being able to reuse these components across products means that product creation and modification can be carried out faster, and with greater consistency. Furthermore, insurers previously unable to compete based

on first-to-market advantage will have the capability to expand their product offerings and improve their time-to-market without adding resources.

However, it is not enough to buy the enabling technology and assume that everything else will fall into place. Access to product information is but one step in the business transformation. To fully maximize

the benefits of PLM, a business must commit to rethinking its processes for bringing new products to market. With increased visibility to products, processes and market requirements, the way the organization plans and executes its product strategy undergoes a refining transformation, leading to the establishment of corporate product development best practices.

What if, when a new market opportunity was identified, a Product Manager was able to take an existing product, update it to better serve the new market, test and save it, then have it approved and available for sale - at a fraction of the development cost and all before similar products flood the market?

Bringing PLM to Insurance

Product Lifecycle Management (PLM) has its roots in manufacturing, growing out of a need to manage the vast amount of Computer Aided Design (CAD) data involved in product development. Today, PLM is a common component in any manufacturing infrastructure, containing views of product schematics, parts information, pricing, warranties and so on.

While widely accepted as a requisite capability in manufacturing, PLM has been slower to take hold within insurance. It was not easily apparent to see how PLM technology could be adapted to encompass the development and management of products, rules, legal requirements and the overall complexity of insurance products.

As industry analysts increasingly point to rapid product innovation and development as critical to survival in the competitive insurance market, it has become apparent that insurers have to find ways to improve their ability to develop new products quickly. Because insurance products are information-based, retaining the abundance of product-related information stored in legacy systems is considered a crucial piece of the equation. What is emerging is a model similar to the product lifecycle management approach already proven and established in manufacturing.

Currently, in order to create new products or make changes to existing ones, insurers rely heavily on their IT departments, which are already burdened with multiple initiatives and priorities. The time lost coding product rules and features across multiple systems can be measured in lost market opportunities.

Many of the same principles relevant to manufacturing still apply when PLM is implemented within an insurance carrier. Whereas an automotive manufacturer may design a new car and then, using PLM processes, modify it according to the market it is being sold to—changing trim, emissions components, color options and so on—an insurance product can likewise be modified to comply with individual state regulations. For example, designating which forms are mandatory for certain products in particular states, or determining how a commission is processed according to product and channel.

Essential components of an effective PLM strategy include: the ability to share and collaborate with others in the organization at all stages of the product lifecycle; the ability to view all product-related information in one place, regardless of the system in which they reside; and, the ability to integrate with other enterprise systems including distribution, policy administration, claims processing and underwriting.

Insurance companies are by their very nature diverse, complex

organizations, often with a matrix style of product management. Because an effective PLM approach requires collaboration between all areas of a business, companies see the greatest return on investment through an enterprise approach.

The ability to build new, or improve on existing products using elements of products already found in the central product repository vastly changes the way these large organizations bring new products to market.

PLM is more than an opportunity to improve product development; it is also an opportunity to transform an organization for long term, create sustainable competitive advantage and position it to take advantage of current and future technology and market trends. A PLM approach for the insurance industry allows insurers to gain the full benefit of their core competitive differentiators - their knowledge assets - and in doing so enables:

Rapid development of better products to meet changing market requirements. The ability to package innovative products based on market segmentation.

Dramatic reduction of time-to-market through component reuse. All product and coverage information is stored as individual components, enabling them to be reused in subsequent product definitions.

Collaborative product development across departments, lines of business and geographies. Web-based access to product information enable product development stakeholders to contribute regardless of their location.

Improved operational efficiency through centralized product definition. All product rules are defined in one place, ensuring consistency of rule execution from multiple systems.

A high-value by-product of the PLM environment is the increased integrity of data and rules for straight-through processing. Many solutions on the market focus on solving pieces of this puzzle; calculation engines, product configurators, and rules engines are a

few examples. Only PLM pulls all of those pieces together to provide the comprehensive, full lifecycle approach insurers need to deliver on their product development vision.

The Technology Behind PLM

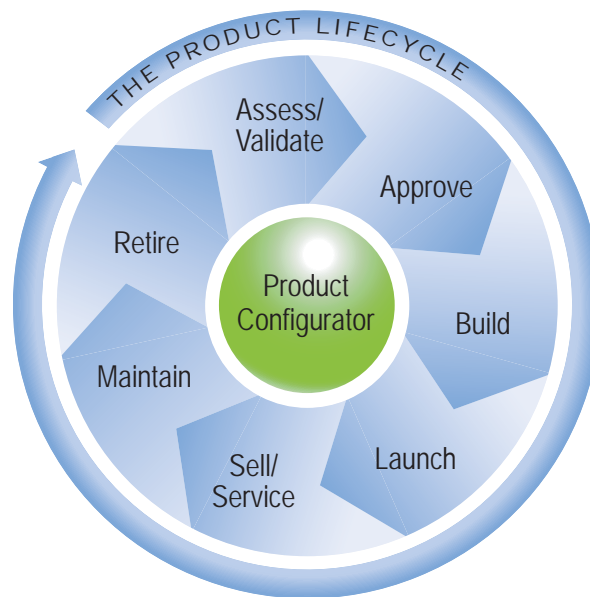
As previously mentioned, products generally follow seven stages throughout their lifecycle. Depending on the stage, different components or capabilities of a PLM solution are called into play.

Assess/Validate: This is the first stage in any product's lifecycle. Here, product ideas are developed, modeled, tested and evaluated.

During this stage, product managers may run 'what if' scenarios to determine optimal configurations. Using an enterprise product configurator at this stage enables product managers to reuse existing product components and store the definitions and data that make up the new product, for future recall and reuse.

Approve: Numerous compliance laws regulate the sale of insurance products, therefore, once a product has been defined, it may be required to be submitted to regulators for approval. Again, an enterprise product configurator will help manage this phase, along with a product development workflow to move the product through the regulatory approval process and tailor it as needed.

Build: At the Build phase, the product modeled in the ideation/validation stage is fully configured and integrated with other enterprise systems. Today's technology allows for enterprise systems to access product rules and data from the central product repository in real-time. Using a product rule tester, product definitions and rules can be tested before deployment. Again, since data and rules are configured once in an enterprise product configurator, testing effort can be greatly reduced.



Launch: As its name implies, this is the stage where the new product is released to the market and product data goes 'live' and is accessible by other systems. Manuals and documentation are also created during this phase as part of the configuration and definition of the product.

Sell/Service: In order for the product to be sold, it must be made available to the business through all channels. Today's financial services institutions sell their products through various channels [direct, web, co-branding, white labeling].

Maintain: Over time, the product may need refinement, including re-pricing, factor changes, option changes, etc. The product configuration component manages this phase and saves the data to the product repository, with appropriate versioning to ensure the right product is sold at the right time.

Retire: The ability to quickly configure new products allows insurers to maintain a fresh product portfolio. It is critical to their competitive strategy to continuously ensure winning products are in place, and those products that are no longer relevant or profitable are retired (removed from the selling value chain).

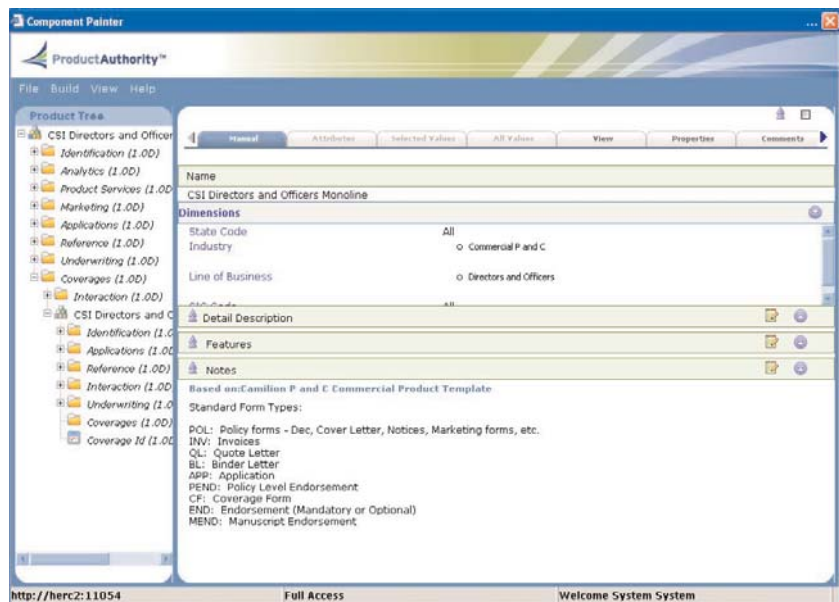
Camilion's Approach to PLM

Camilion believes that in order to begin to address the product development challenges faced by insurers, an effective PLM solution must contain four essential components: a product repository, an enterprise product configurator to manage the contents of the repository, product development workflow, and product Application Program Interfaces (APIs).

Camilion's ProductAuthority®, an enterprise-class PLM solution, is helping insurers share product information and collaborate to create sustainable competitive advantage.

It enables insurers to quickly bring new products to market. ProductAuthority addresses all stages of the product lifecycle and includes core components optimized for the insurance industry including: ProductAuthority allows product managers to layout a consistent approach to manage products throughout their lifecycle.

Within ProductAuthority, product managers essentially define each product's 'DNA' including product assembly rules, eligibility criteria, underwriting, pricing, forms management rules, as well as all of the product's features. During the development and prototyping stages, product managers can test and



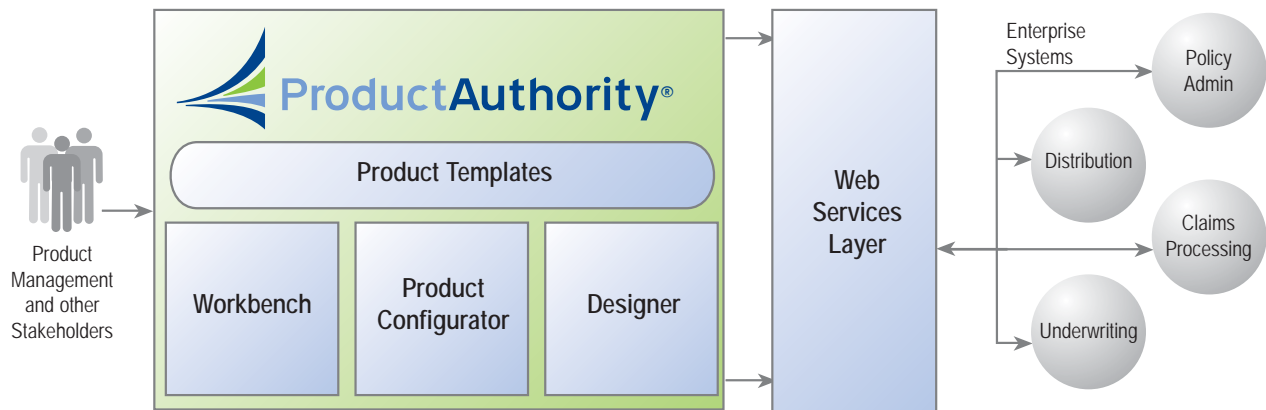
validate product rules, improving quality and reducing time-to-market. The Product Configurator forms the backbone of the product repository.

Product development workflow allows all product development stakeholders — Product Managers, Actuaries, Business Analysts, Developers, etc. — to collaborate in

organization's products and their features.

The web services layer within ProductAuthority contains all of the operational data required to support the sales and service aspect of an insurance product's lifecycle. Third-party systems such as underwriting and policy administration systems

require increased vigilance and the ability to pull up-to-date information out of financial and other systems on demand. These regulations are in addition to state, federal and geography-specific compliance issues already being managed by the organization. The PLM rules engine delivers the ability to create rules to enable the organization to meet



order to build support systems and processes for new products. ProductAuthority's web-based capabilities enable this collaboration to occur regardless of the location of each contributor.

The Product Repository enables users to search by company-defined parameters, on rules, products, and even which products use what rules. The Product Repository gives users a consistent and organized view of all of the

access this module through the application programming interface (API) of products that were published from the ProductAuthority repository. This module helps to ensure that product rules are consistently applied across systems.

Organizations about to embark on implementing their PLM strategy may find that the change will come not a moment too soon. The new regulations and compliance demands of HIPAA, SOX and the Patriot Act all

compliance requirements in each jurisdiction, and ensure a consistent and organized approach to information collection and storage.

Although a comprehensive PLM strategy encompasses more than enabling technology, the right PLM solution — one that delivers the capability to enable collaboration and decision making at every stage of the product lifecycle — makes a significant difference.

Case in Point: ACME Insurance

ACME Insurance is a large and diversified insurer with offices in five countries, offering a broad range of products from Commercial and Personal Lines P&C to Life Insurance and Investment Products.

Over the past 20 years, ACME has grown through acquisition, and with each acquisition has inherited another administration system — resulting in multiple systems within each division. Although each division has its own IT department and therefore its own processes, all divisions report to one common CIO and CEO.

Each division had developed its own processes for product development. Similarly, product development processes differed by product line to accommodate each system. Despite its size and the human resources available, the company was not able to achieve economies of scale and found that their inefficiencies were costing them both in terms of new product development (often exceeding \$1.0 million) and in missed opportunities caused by being late to market with products not easily differentiated from their competitors'. Even simple product changes could not be completed in less than 60 days.

ACME reviewed all aspects of its product development and created a multi-phase, organization-wide strategy to reposition itself as a product leader.

The first step was to tackle their processes. Before changing any systems, ACME brought in a PLM solution tailored specifically for information-based products. Two modules were implemented that enabled Business Users and IT Users to share information about upcoming product initiatives, make better decisions and more easily measure impact.

1. The Workflow Automation module reduced the time it takes for product planning committees to confirm which product initiatives they are moving ahead with.

2. The Product Repository gives the entire organization a view of all of their products, accessible from a product "catalog", regardless of the line of business or geography. This gives users a single source of product information and knowledge. For example, product managers can use the product repository to determine the impact of regulatory changes to their product, and to take existing products to create new ones.

The second phase of their strategy involved updating the operational systems that depend on product data to refer to the product repository for product rules and data. Using an XML-based product service with web services APIs, product components such as product eligibility criteria, referral rules, form attachment rules and the application questionnaire can be accessed by legacy applications and enterprise systems when needed.

With these two phases complete, product managers are able to quickly jump on new opportunities and have seen a marked increase in customer retention, and cross marketing/upselling success.

ACME Insurance is leveraging all product information across the entire organization. Departments are working collaboratively and efficiently to manage products and the company is beginning to see a sharp decline in time and cost to market, accompanied by an increase in sales of new products. ACME's ability to consistently lead the pack with market driven products has tremendously increased sales force satisfaction.

The Bottom Line—Camilion Delivers PLM

Camilion is delivering our proven Product Lifecycle Management approach to leading global insurers, helping them create sustainable competitive advantage through innovative and relevant products. Our industry solutions are optimized to enable insurers to:

- Increase premium
- Improve profitability

- Leverage existing technology investments
- Create enterprise product standards

Our commitment to industry standards such as ACORD, XML and J2EE ensures that our clients have the technology foundation to continue to lead their markets with innovative products, brought to market in record time.

About Camilion Solutions

Camilion Solutions, Inc. is a leading provider of product development and policy administration systems for the insurance industry. Camilion's solutions enable insurers to develop and implement new products more quickly and efficiently than competitors, automate underwriting, enable straight-through processing, and deploy a flexible platform to support current and future growth. Designed to capitalize on a Service-Oriented Architecture (SOA), Camilion's Authority Suite™ is open, scalable and conforms to key technology and insurance industry standards. Founded in 2000, Camilion is a privately-owned corporation with offices in Toronto and New York.



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