

CELENT

BECOMING A CELENT MODEL INSURER 2018

A GUIDE TO CELENT'S ANNUAL AWARD PROGRAM

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EXECUTIVE SUMMARY

Beginning in 2007, Celent sought to identify and promote effective use of technology in insurance as a means to foster investment in innovation. Model Insurer is awarded for best practices of technology usage in different areas critical to success in insurance, and is the main award an insurer can win from Celent.

Insurers are encouraged to submit their initiatives, which we evaluate on three criteria:

- Demonstrable business benefits.
- Degree of innovation.
- Technology or implementation excellence as seen through the use of best practices.

This year we are accepting nominations in five categories:

- Data mastery, analytics and AI.
- Digital and omnichannel technology.
- Innovation and emerging technologies.
- Legacy transformation.
- Operational excellence.

Being recognized as a Model Insurer has a number of benefits for the insurance company and its executives:

- Prestige of the award.
- PR opportunities to promote the award.
- Further exposure via a Celent case study.
- Complimentary invitation to attend Innovation and Insight Day, Celent's flagship annual event.
- Personal benefits, such as recognition internally and externally.
- Strengthened relationship with the technology vendor.

To optimize your chances of winning the award, select your best initiative(s) that would score highly on all three criteria above and clearly explain to us what you did, why, and how. Get help from your technology vendor to submit the nomination form if you like, but make sure to own the entire process and stay on top of it.

Most importantly, remember: you can only win the competition if you enter it! Please visit https://www.celent.com/awards/model_insurer and submit your initiatives by completing the nomination form by December 15, 2017. We look forward to hearing from you. Good luck!

INTRODUCTION

At Celent, we have been running the Model Insurer program since 2007, but have only published a guide to the award program since 2016. The guide is being published for a number of reasons:

- Model Insurer has become a truly global program. We want to introduce the concept of Model Insurer to insurance companies that may not be familiar with it and hope this report will help increase awareness.
- There have been changes to the Model Insurer program. We felt it was important to present a guide that explains the changes and their rationale.
- As the number of submissions grows, the quality inevitably becomes more variable. We want to offer tips on how to submit a quality Model Insurer nomination. We provide transparency into what Celent is looking for when judging the nominations. We also look back and consider lessons from the past.

The report addresses the key questions below. In contrast to regular Celent reports, which are only available to institutions subscribing to Celent’s research services, this report is freely available for anyone to download on the web page hosting the 2018 nomination form.

KEY QUESTIONS

1 *What is a Celent Model Insurer award?*

2 *How does winning benefit an insurance company?*

3 *What are best practices for submitting a winning nomination?*

WHAT IS MODEL INSURER, AND HOW WILL IT BENEFIT AN INSURER?

Key
Research
Question

1

What is a Celent Model Insurer award?

Model Insurer is the main award that an insurance company can win from Celent. It is available to property and casualty/general insurers, specialty insurers, life insurers, health insurers, and annuity/pension providers globally.

INTRODUCTION TO CELENT MODEL INSURER

Model Insurer is the main award that an insurance company can win from Celent. It is available to property and casualty/general insurers, specialty insurers, life insurers, health insurers, and annuity/pension providers globally. Any insurer can apply, irrespective of whether it has any prior relationship with Celent. Celent does not charge any fees to insurers or vendors to participate in the Model Insurer process.

Celent started Model Insurer research in 2007 and has continued annually since. The program is now in its twelfth year. The vision for Celent’s Model Insurer research was to try to answer an apparently simple question:

“What would it look like for an insurance company to do everything right with today’s technology?”

Of course, the question is not nearly as simple as it appears. The terms “everything” and “right” will mean very different things to different insurers depending on their size, the complexity of their operations and product sets, and their technological starting points. While there is no such thing as a “Model Insurer” — every insurer does some things well, and others not as well when it comes to technology — it is possible to conceive of a “Model Insurer” through real world examples of effective usage of technology.

Celent’s approach is to seek examples of best practices in technology usage in different areas critical to success in insurance. We invite insurers to nominate their technology initiatives in one of five technology themes. We review all nominations and recognize a number of them — up to four per theme — with a Model Insurer award. Every year we present 15 to 20 awards. We also recognize one initiative every year as the overall Model Insurer of the Year, the top honor.

HOW WILL IT BENEFIT AN INSURER?

Being recognized as a Model Insurer has a number of benefits for an insurance company (see Figure 1 on page 4).

Key
Research
Question

2

How does winning benefit an insurance company?

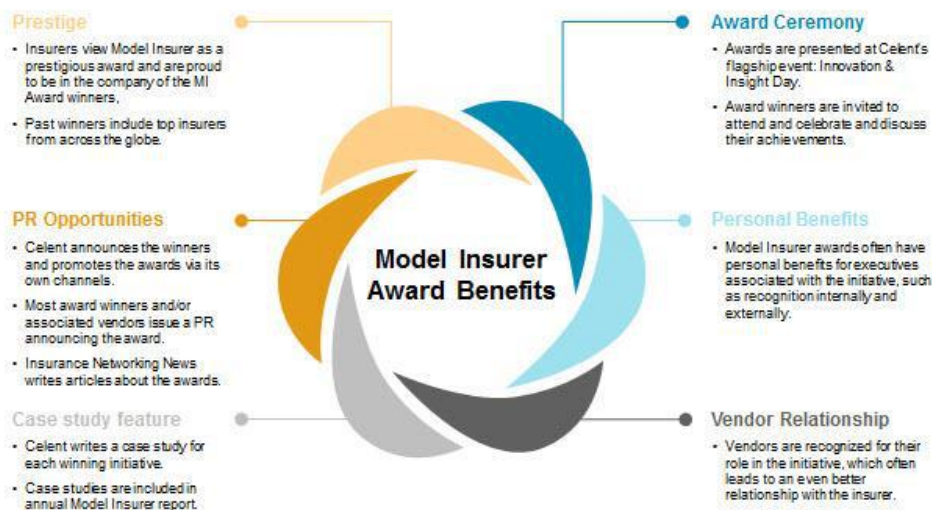
A Model Insurer award presents a number of PR opportunities for the winning insurers. Celent announces all the winners and issues a press release.

Being recognized as a Model Insurer has a number of additional benefits for an insurance company.

First of all, insurance companies tell us they view Model Insurer as a distinctly **prestigious award**. The awards are focused on insurance, yet span a full spectrum of technology initiatives rather than being narrowly focused on one (e.g., mobile). Competition is global and fierce, and the selection process is rigorous. Award winners are in great company and are proud of such association. Past winners include insurers of all sizes from all over the world including Zurich, Allstate, Tokio Marine & Nichido, MetLife, Nationwide, John Hancock, Aegon, and XL Group, to name a few.

As a result, a Model Insurer award presents a number of **PR opportunities** for the winning insurers. We, at Celent, announce all the winners and issue a press release. Most winners also tend to issue a press release announcing their award and highlighting why they were recognized as Model Insurer winners.

Figure 1: Benefits of Receiving a Model Insurer Award



Source: Celent

Furthermore, Celent analysts write detailed **case studies** of each winning initiative. These case studies are included in Celent's annual Model Insurer reports, which are consistently among the most popular reports with Celent clients, generating further exposure for the winning insurers and their initiatives.

The actual awards have been presented at **Innovation and Insight Day (I&I Day)**, Celent's flagship annual event, typically held on the East Coast in the United States. We celebrate the achievements of Model Insurer and Model Bank¹ award winners by giving them an opportunity to discuss their initiatives on stage at the I&I Day. The day also features exciting keynote presentations from industry leaders, academics, and Celent analysts. In 2017, I&I Day was held at the State Room in Boston, Massachusetts. It was an exciting event with over 280 attendees, presenting excellent networking opportunities. All Model Insurer Award winners receive up to five complimentary tickets to attend the event.

Figure 2: Model Insurer Awards Have Traditionally Been Presented at Innovation and Insight Day



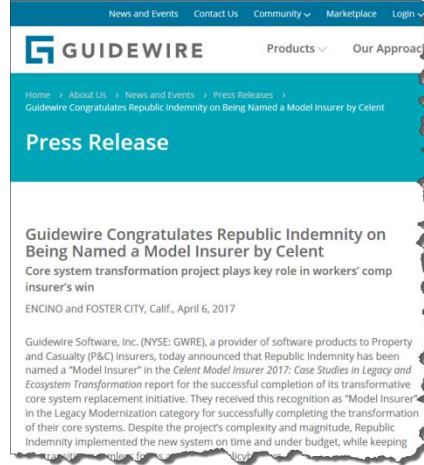
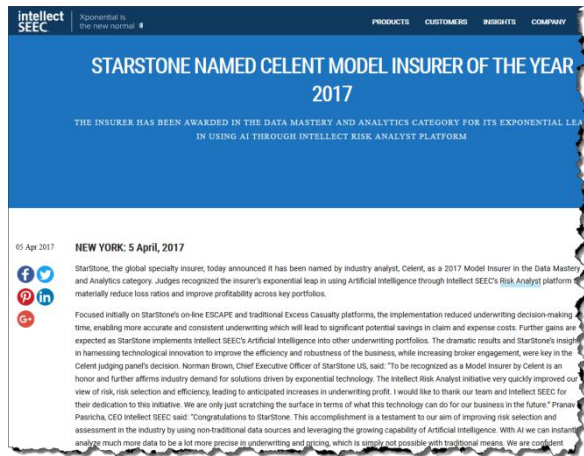
Source: Celent

However, the award has more than institutional benefits. Executives associated with the winning initiatives often speak about Model Insurer award having **personal benefits** for them, such as recognition internally and externally and enhanced career prospects.

Finally, for initiatives that rely on **technology vendor** solutions and expertise, the award often leads to an even stronger relationship between the winning insurer and its vendors. While not explicitly awarding vendors, Celent recognizes their contribution to the initiative. In response, vendors often issue their own PR statements celebrating achievements of their clients.

¹Model Bank is Celent's program recognizing outstanding use of technology in the banking industry.

Figure 3: Technology Vendors Celebrate Their Clients Winning Model Insurer Awards

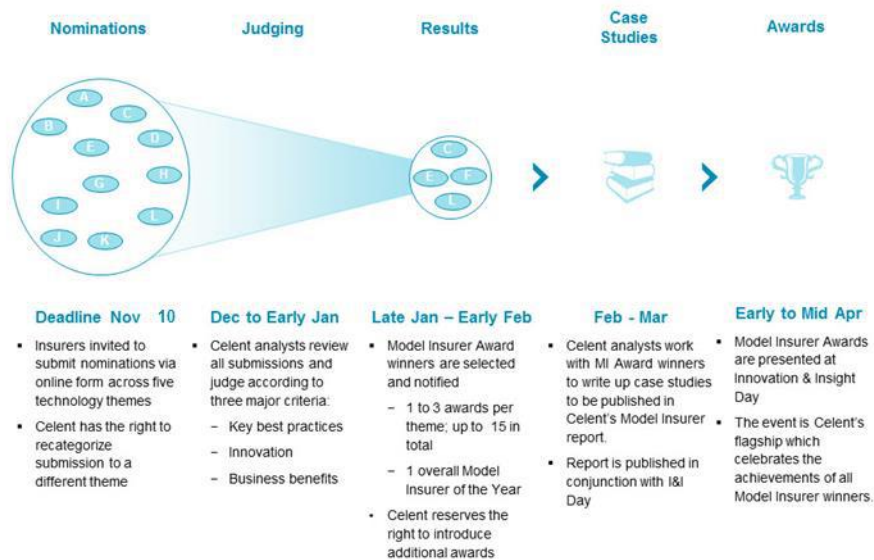


Source: Press searches

MODEL INSURER 2018: APPROACH AND KEY DATES

While the overall approach to the Model Insurer process in 2018 is similar to most years (see Figure 4), this section highlights key dates.

Figure 4: Overall Process and Key Dates for Model Insurer 2018



Source: Celent

NOMINATIONS

Key dates and changes include:

- **Award Categories:** in 2017, Celent is accepting nominations in five different theme categories.
- **Nomination Form:** slightly revised from previous years
- **Deadline for Submissions:** 15 December 2017.

The 2018 categories and example initiatives are listed in Table 1. Example initiatives are offered as a way to broadly describe what we expect in a particular category; they are by no means exhaustive. Also, while most nominations involve technology-related initiatives, not all do; examples of organizational or cultural transformation to accompany technology change or creative ways to foster innovation are also welcome.

Table 1: Model Insurer Award Categories for 2017

CATEGORY	EXAMPLE INITIATIVES (NOT EXHAUSTIVE)
Data mastery and analytics	Data analytics / big data applications Predictive analytics Gamification
Digital and omnichannel technologies	Mobile and online insurance innovations Straight-through processing Telematics eLearning initiatives Insurtech
Innovation and emerging technologies	New product design/development Innovation programs Breakthrough technology use (e.g., drones, quantified self, etc.)
Legacy transformation	Core insurance system replatforming/transformation Deployment of cloud technologies
Operational excellence	DevOps Document and content management Financial system overhauls Risk management and security policies

Source: Celent

Celent reserves the right to revisit the categories after all nominations are submitted and may decide not to award any initiatives in a particular category. We also reserve the right to categorize an initiative differently from what was submitted.

The nomination form is designed to capture the key data points needed for Celent analysts to be effective when judging the initiative. The importance of the quality of the nomination itself, and of the supporting information, cannot be overemphasized. The nomination should be as specific, accurate, and complete as possible. It is imperative that the true merits of the initiative be conveyed through this information. Keep in mind that in most cases those involved in the selection process will have no personal knowledge of the nominated initiative and will lean heavily on the information provided to make reasonable judgments. In some cases, Celent will check publicly available information to augment or substantiate the information provided. Table 2 describes the slightly revised nomination form for 2018.

Table 2: Nomination Form for 2017 Model Insurer Awards

TYPE OF INFORMATION	DATA FIELD	COMMENT/DESCRIPTION
CONTACT DETAILS	Financial Institution Name	Self-explanatory.
	Contact Name, Position, Email and Phone	
	Vendor Name	Optional field for insurer nominations, but required for vendors that are nominating on behalf of FI clients.
	Vendor Contact Name, Position, Email and Phone	Same as above.
NOMINATION CATEGORY	Theme of Technology Initiative	Select one of five theme categories, which is the best fit for your initiative. You may only choose ONE theme. If you are unsure of which theme to choose, please read the descriptions carefully and select the one that you feel best describes the project's intent. Celent reserves the right to reassign the initiative to a different category.
	Insurance Products / Lines of Business Involved	List the lines of business affected by this initiative. Examples, include personal auto, commercial property, annuities, long-term care, or life protection products,
INITIATIVE DESCRIPTION	Brief Description of Initiative	1-2 sentence high level summary of the initiative.
	Elevator Pitch (Why X?)	A few bullet points why you think this initiative deserves a Model Insurer award in your chosen category. Limit 100 words.
	Project Background and Rationale	Describe the business need for the initiative. What problems were being experienced? What were the drivers and targets or desired outcomes? Who was the Executive Sponsor?
EVIDENCE APPLIED TO SELECTION CRITERIA	Technology Used and Description	Detailed description of the initiative. What was the solution you designed to achieve the desired outcomes? What technology did you use? What process or organisational changes did you implement?
	Delivery Team	Internal team: size of the core team, key departments involved External resources: technology vendors, professional services firms, insurtech partners
	Timelines	Project duration (approximate) Go-live date (only live initiatives will be accepted)
	Quantitative Success Metrics	Revenue or productivity enhancement, cost reduction, end user feedback, social media buzz, etc.
	Qualitative Business Benefits	Other business benefits that might be too hard to quantify
	Technology or Implementation Excellence	What were the biggest challenges and how did you overcome those?
	VENDOR DETAILS	Vendor Details, If Applicable

Source: Celent

The deadline for nominations is Friday, December 15, 2017. Once a nomination is received, Celent will acknowledge the receipt of the submission with the insurer and, if applicable, the vendor partner. Subsequently, Celent will communicate directly with the insurer.

JUDGING

While the Model Insurer process has evolved somewhat, one thing has remained constant through all 12 years: the selection criteria. We continue to judge the initiatives on three criteria.

- **Measurable business benefits.** Celent seeks to recognize initiatives that have a clear and sustainable impact on the business — those that most clearly advance your insurance company’s business objectives. Therefore, this category is weighted most heavily. Project size and scope matter, and we pay particular attention to quantitative success measures.
- **Degree of innovation.** This measure draws attention to initiatives deemed particularly innovative for their use of technology in improving sales or service results, reducing risks or costs, or improving business processes.
- **Technology or implementation excellence.** Celent uses nine different key IT best practice criteria to evaluate the nominations. Each best practice is considered important to the success of a technology project. Initiatives are evaluated for their IT/business coordination, expansion and effective use of distribution channels, and implementation and integration excellence, to name a few. Celent recognizes initiatives that effectively demonstrate the use of best practices throughout the initiative.

Table 3: Key IT Best Practices and Measurable Business Results

IT BEST PRACTICES	MEASURABLE BUSINESS RESULTS
Use of industry standards	Higher productivity, lower staff expenses.
Optimization of infrastructure	Increased revenue or market share.
Positioning for future reuse	Faster cycle times and more consistent processes.
Automation, STP, and system integration	Better decisions, more accurate pricing, and reduced losses.
Improved financial risk management, data transparency, and compliance	Decreased time to market.
Improved use of channels	More efficient document and content management.
Project risk management through proper development, testing, and project management	Green organization.
Use of metrics	Improved compliance and reduction in market conduct penalties.
Solicitation of end user review and feedback	Improved customer/agent satisfaction.

Source: Celent

The majority of Celent Insurance analysts are involved in the judging process. While the above describes Celent’s process at a high level, the exact process remains within Celent’s intellectual capital and shall remain our “secret sauce.”

RESULTS

In 2018, we expect to recognize up to three initiatives in each of the five theme categories, with the total number of winners reaching 15. We will also select one initiative as the Model Insurer of the Year, the overall winner. We expect to be able to notify all winners in late January or early February.

As mentioned above, Celent reserves the right to revisit the categories during the judging process and may decide not to award any initiatives in a particular category. However, we also reserve the right to introduce *additional awards*. For example, in 2013, our partner program, Model Bank, found a small number of initiatives noteworthy not only for their innovation but also for their simplicity. The banking team asked, “*Why isn’t everyone doing this?*” and decided to introduce a new award category that year, Celent’s Impact Award, honoring projects that are comparatively easy and low-cost yet offer a considerable boon to business outcomes. Although Model Insurer has not introduced a similar award to our program, it could happen in 2018.

CASE STUDIES AND AWARD PRESENTATION

The Model Insurer process culminates with Celent’s Innovation and Insight Day (I&I Day), during which we publicly announce the winners and celebrate their achievements. We expect to host the 2018 I&I Day in the spring. The exact date and venue will be confirmed in early 2018.

We will have I&I Day sponsorship opportunities available again this year. Vendors wishing to sponsor the event should contact their Celent account manager or write to info@celent.com.

Concurrent with the I&I Day, Celent publishes the annual Model Insurer report, which includes the case studies of winning initiatives. A case study example is provided in Appendix 1.

WHAT ARE BEST PRACTICES FOR SUBMITTING A WINNING NOMINATION?

ANALYSIS OF WINNERS TO DATE

We have been recognizing on average 18 initiatives each year with Model Insurer awards since the program's inception in 2007. In the last ten years, 187 different insurance companies received a Model Insurer award; of those, 34 managed to win it more than once. Allstate has won 11 awards across several business units, Chubb has won 6 awards including one in 2016, while Tokio Marine and Nichido, Nationwide, MetLife, and have all won 5 awards.

Insurer size and geography are not the factors determining a winner. While multiple award winners, such as Zurich, Allstate, Nationwide, and Tokio Marine are very large insurers, not all Tier 1 insurers that have submitted nominations have been winners. In 2016, there were a number of tier 3 and tier 4 winners, and a tier 5 insurer won for their legacy transformation. Every insurer that demonstrates effective use of technology supported by statistics is eligible to win. As with all awards, you have to enter in order to win.

The winners are also not limited to any single geography; they come from all over the world. In 2017, the nominations truly represented a global viewpoint.

Figure 5: Celent 2017 Model Insurer Nominations by Country



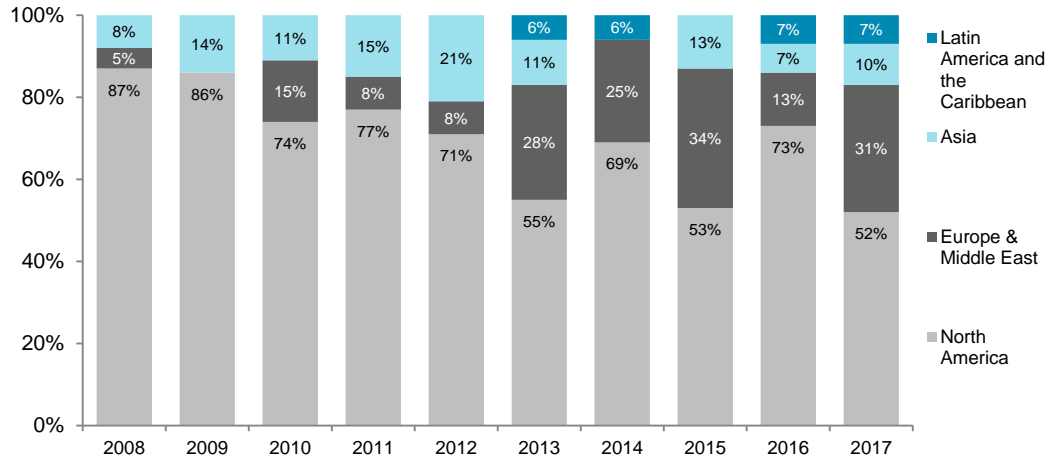
Source: Celent

Over time the program has become more international. In the first year of the program, of the 39 winners, only 5 were not from the US or Canada; in last year's program, 8 of the 16 winners were initiatives from the US. The others were from other countries including the United Kingdom, Canada, Cayman Islands, Colombia, and France.

The introduction of Model Insurer Asia in 2011 reduced the number of Asian insurance company winners in the global program, but increased the number of Asian submissions and winners in total.

Of the eight Model Insurer of the Year winners so far, six have come from the United States, one from England, one from Ireland, and one from Switzerland.

Figure 6: Model Insurer Has Become a Truly Global Program over the Years



Source: Celent; Model Insurer Asia introduced in 2011

WINNING TIPS: KEY SUCCESS FACTORS

So, what does it take to win a Celent Model Insurer award? Well, a key prerequisite is to enter the competition by completing a nomination form. If you downloaded this report from the nomination page, you already know where it is. Otherwise, please visit: https://www.celent.com/awards/model_insurer.

Naturally, the main factor determining a nomination's success is the **strength of your own initiative** (see Figure 7). Remember, we will only award "live" initiatives which are already delivering *business benefits*, although we also accept advanced stage pilots, as long as they have measurable results. Make sure to include quantifiable business benefits, as we will devalue any initiatives without them. We appreciate that some benefits are hard to quantify, but vague statements about expected benefits from the business case will not be sufficient. We also appreciate that you don't want to divulge potentially sensitive information. If you are not comfortable sharing absolute figures with us, feel free to talk about relative performance (for example, percentage revenue increase or cost saving).

We are also looking for genuine *innovation*. It doesn't have to be the "world's first," although that obviously helps. We are interested in how you experiment with emerging technologies to drive your business. However, innovation doesn't only mean "bleeding edge" technology; often it is about how you apply technology to enhance your customer experience or to transform the ways of working.

Our final assessment criterion is "*technology or implementation excellence*." Have you just done a "heart transplant on a plane?" Was it an integration nightmare? Did you roll it out around the world? Did you find a really interesting way to collaborate with an insurtech player or another third party? Have you woven a complex ecosystem to deliver the solution? If so, we want to hear about it. And we want to understand how key IT project best practices were effectively used.

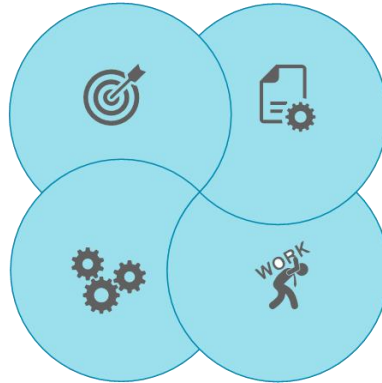
Figure 7: Key Success Factors for Winning a Model Insurer Award

Strength of Your Initiative

- Focus on live initiatives and demonstrate business benefits, innovation and technology or implementation excellence

Strength of Competition

- Not much you can do about it, but as with all the awards, it's all relative...



Clarity of Submission

- It might be brilliant, but if we can't understand it, you won't win

Insurer Ownership

- Be engaged throughout, don't let the vendor do it without your involvement

Source: Celent

If you are considering entering your initiative for a Model Insurer award, you must be proud of what you achieved. This pride should be evident in your submission form. Clearly tell us what you did and why, and why you think what you did is unique and deserves recognition. Focus on essential points, but don't skim on detail. It is surprising how many entries suffer from lack of clarity. Please do not expect us to understand internal acronyms or team names. Your initiative might be brilliant, but if we can't understand it, you won't win. **Clarity of your submission** is crucial!

Key
Research
Question

3

What are best practices for submitting a winning nomination?

We judge the initiatives on three criteria.

1. Measurable business benefits.
2. Degree of innovation.
3. Technology or implementation excellence.

Clarity of your submission is crucial!

Consider some examples in

Table 4, which are real (but sanitized) data fields from submissions we received over the years. Submissions A and B barely tell us anything about the initiatives, while C and D are much clearer with specific data points.

Table 4: Comparing Clarity of Submissions

	INITIATIVE DESCRIPTION	COMMENTS
Submission A	The SYSTEM is accessed by public user, registered customers, Financial Advisors, Brokers and internal operation users. The systems includes online, agency and customer portal includes content management, agency hierarchy, policy & fund price, etc.	Tells nothing about the initiative itself.
Submission B	Customers applying for PRODUCT cover are offered, dependent on their occupation, one of two definitions of disability, either 'own occupation' or 'working tasks'. The purpose of this initiative was to enhance the heavily criticized 'working tasks' definition and improve the claims paid statistics in line with the better 'own occupation' definition and the overall BRAND promise. Another key driver was to halt declining market share that has been seen due to a lack of product development. As well as improvements to the product it was also required that we deliver a change in the pricing of the product and the commission paid to the advisers who sell it to our customers.	Barely comprehensible.
Submission C	<p>INSURANCE COMPANY has implemented one of the first truly global claims systems, based on a modern, highly scalable and flexible platform that enables us to:</p> <p>>Address the needs of local market requirements via a single system, allowing us to produce operating efficiencies, local and enterprise wide competitive advantage for all 11 LOBs in all of our 27 business groups.</p> <p>>Benefit from emerging trends and opportunities, such as digital technologies, since the system is "multi-channel ready," allowing us to address customer evolving needs.</p> <p>SYSTEM was designed by COMPANY claims professionals based on fundamentally reengineered business processes. Key users include the approximately 400 claim handlers for COMPANY insurance operations, as well as underwriting, finance, actuarial, risk engineering, and senior management personnel with ready access to claims data.</p> <p>The SYSTEM Customer Portal provides participating customers with access to information on their claims via the COMPANY website at and through mobile devices and applications like the iPhone.</p> <p>Project's initial total budget was \$86M, with a final landing point of \$78M with more than the initially agreed scope, resulting in an under-budget amount of \$8M. At peak times, the project employed 120 full time project members, including twelve senior claims adjusters and managers with a variety of international backgrounds, to match the extensive breath of our international operations.</p>	Clear description, has specific numbers to appreciate the scale of the project.
Submission D	<p>INSURANCE COMPANY was seeking a straight-through processing (STP) solution to streamline the marketing, selling and processing of insurance. Creating 100% In Good Order Applications and integrating this information into their underwriting system were two key objectives for this STP initiative.</p> <p>In July 2011, VENDOR A, VENDOR B and INSURANCE COMPANY launched a collaborative process to support seamless electronic submission of SYSTEM A life insurance applications into the SYSTEM B life insurance administration platform. INSURANCE COMPANY'S independent agent force are the key users, and the submission process provides fully transparent status updates within INSURANCE COMPANY'S agent web portal to show agents the benefits of electronic submission.</p>	Clear description, particularly of what the initiative is trying to achieve and who will benefit from the project.

Source: Celent

Consider including internal documentation that you may have used to socialize the initiative internally. Celent welcomes additional materials to supplement a well-written application.

If applicable, don't hesitate to involve the vendor when submitting your nomination form; however, make sure that you (the insurer) are actively engaged in and **own the Model Insurer process**. Occasionally, we have a technology vendor that wants to share the work they did with an insurer and submits the nomination form on insurer's behalf. We are OK with this, as long as it is done with the insurer's approval and the insurer is aware of and committed to the overall process. In the extreme scenario (and this has happened), we select the initiative as a winner, but the insurer shows no interest in it — does not engage when we are trying to write a case study or respond to an email congratulating them on winning the award. Over the years we only had a couple of such instances, and we had to disqualify those initiatives.

The final success factor is the **strength of competition**. As with all the awards, it's all relative, and we appreciate that it's not something you can do much about. It can be the case that we have many entries in one theme category and yet be starved of quality entries in others. Incidentally, this is why we reserve the right not to award any initiatives in a particular category; we want to ensure that all winners truly deserve the award rather than get it by default for lack of competition. Also, don't despair if your entry does not win. If it is a genuinely interesting initiative, we might approach you about writing a separate case study about it anyway.

CELENT VALUES

Whatever we do at Celent, we are guided by our values described in Figure 8 and below. You can expect us to apply the same values to the Model Insurer program.

- **Insight and Passion:** We are passionate about application of technology to drive success in financial services. We get excited when we see something genuinely impressive. And because of our personal and institutional experience, we recognise “good” when we see it.
- **Integrity and Independence.** Some of the nominating insurance companies or vendors, and many of the eventual winners, are or have been Celent research or retained advisory service clients. However, we never give preference to clients in the selection process, and we always ensure that Celent was not directly involved in the creation or deployment of any of the initiatives that have been recognized. To do otherwise would mean compromising our values and risking the reputation that we have taken such great care to build.

Figure 8: Celent Values

<h1>1</h1> <h3>Insight</h3> <p>It's the heart of what we provide as a research firm. We put our deep vertical expertise, extensive research network, analytical discipline, and intellectual curiosity to work every day. The result is a steady flow of insights that will help you improve your business.</p>	<h1>2</h1> <h3>Integrity</h3> <p>In developing our industry views, we rely on thoughtful methodologies which ensure that we consistently gather the right data points. We employ best practices, such as having transparency in our approaches, clearly identifying the value proposition for participants in our research, and use of peer reviews.</p>	<h1>3</h1> <h3>Independence</h3> <p>Our clients—including financial institutions, IT services firms, software vendors, and other consulting firms—all value our work because they know they can depend on our objectivity. Since our inception, we have been known for calling it like we see it, regardless of the consequences. This tradition endures because we believe it is what our clients want and deserve, and because the entire Celent team knows it is the right thing to do.</p>	<h1>4</h1> <h3>Passion</h3> <p>There is a reason that working with Celent feels different. We are passionate about what we do, which is why we approach everything with energy and enthusiasm. Celent is driven to excellence, and we expect this to come through in every customer experience.</p>
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Source: Celent

In other words, you can be assured that if you win the award, you deserve it. We hope you do by submitting your initiative(s) into the Model Insurer 2017 programs. Good luck!

Was this report useful to you? Please send any comments, questions, or suggestions for upcoming research topics to info@celent.com.

APPENDIX 1



CSE INSURANCE GROUP

Harnessing the power of analytics, cloud technologies, and a rejuvenated staff, CSE has produced a new product line worthy of further study. Below is a breakdown of how this formerly niche property & casualty provider has evolved to its current state and the steps it took to produce the user-friendly, multi-line coverages that earned them Model Insurer of the Year.

Table 5: CSE Insurance Group Snapshot

HQ LOCATION AND KEY GEOGRAPHIES	Walnut Creek, CA
YEAR FOUNDED	1949
LINE OF BUSINESS	A multi-line provider of personal, commercial property and casualty insurance
KEY METRICS	DWP: \$147 million Employees: 135 Assets: \$298 million
OWNERSHIP	The company is a subsidiary of the Covéa Insurance Group (Société de Groupe d'Assurance Mutuelle Covéa) headquartered in Paris, France Group Companies: Civil Service Employees Insurance Company, CSE Safeguard Insurance Company and CSE Diversified licensed to do business in California, Arizona, Colorado, Idaho, Nevada, Oregon, Utah, Virginia, Washington, and Washington, D.C.
DISTRIBUTION CHANNELS	Independent agents Direct channel Aggregators (confirm)

Source: CSE Insurance Group

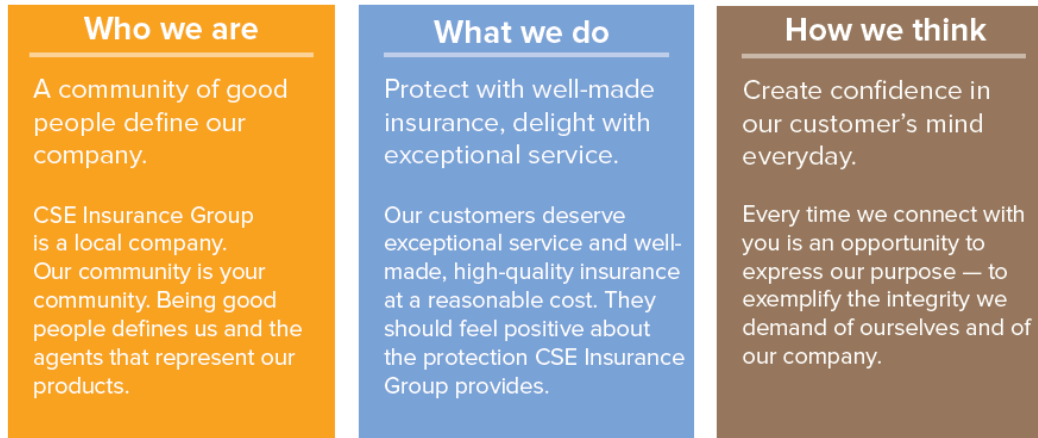
Founded by a postal worker in 1949, CSE Insurance Group initially served only the property & casualty needs of public employees and their families. Today, the company is a community-minded insurer providing products and services to the general public and commercial markets, while paying homage to their roots with unique coverages for those in the civil sector.

The company's new vision is simple: "We are a community of good policy people who want to offer protection with well-made and innovative insurance products, delight with exceptional service, and create confidence in our customer's mind everyday." Their strategy is straightforward too: aim for a 1% market share on the West Coast of the United States.

The company began plotting a course towards realizing these goals by undergoing a rebrand and undertaking a product rethink. From opportunity to results, this case study

will show the changes that have resulted as well as some that may be in store for them along the way.

Figure 9: How CSE Presents Itself to Clients



Source: CSE's Annual Report 2015

Figure 10: CSE's New Brand and Tagline

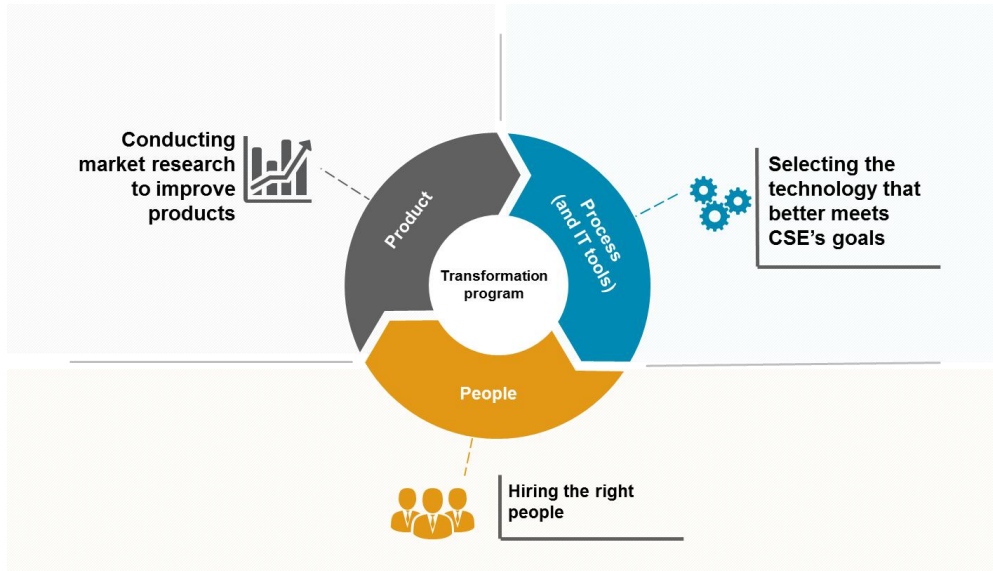


Source: Celent

OPPORTUNITY

In 2013, CSE Insurance Group commenced a massive transformation. Under the same management for 20 years, most of CSE's senior leadership team was retiring. Led by its new CEO and new leadership team, the company launched a three-year strategic plan in 2014. The plan was based on three pillars: People, Process, and Products. A new mentality that supported the willingness to take risks was born.

Figure 11: CSE Pillars of its Transformation Program



Source: Celent

For People, CSE changed who worked for the company. They hired 100 employees in a two-year period, seeking out those with technical skills and education, effectively changing a more clerical staff into a professional services staff. They also made organizational changes to their IT, actuarial, product management, and marketing teams. Governance was formalized to emphasize transparency and collaborative decision-making. And, by changing from a model that was resistant to change to one that looks for change daily, CSE made innovation part of the company's culture.

CSE also chose the various applications and deployment methods that would support their transformation of process. They invested in new tools such as Emblem for predictive modeling. They moved technology to the Amazon cloud to allow for multiple, simultaneous development environments. With the right people and tools in place, they were ready to build new insurance products. They chose to revamp their legacy Dwelling Insurance product first.

CSE aspired to achieve "the best product in the industry." This meant they had to overcome legacy thinking and practices to rethink all the features including coverage, pricing, rules, process, and communications. To do so, they sought inputs from customers and analyzed the market using two common analyses: 5 Cs (company, customers, competitors, collaborators, and climate) and SWOT (strengths, weaknesses, opportunities, and threats). Their analyses revealed opportunities to address concerns of users at every level: purchasers of the insurance, the agents who sell it, and the CSE staff who price, underwrite, and process claims for it.

SOLUTION

The result was the company's new flagship Landlord Insurance, which offers broader coverage, more discounts, and greater ease of doing business than any other landlord, dwelling fire, or rental insurance product in the US marketplace.

Landlord Insurance covers a property owner from financial losses connected with rental properties. The policy covers the building, any contents inside the building that belong to the landlord, and liability of the landlord towards third parties. The industry offers generic solutions. CSE worked to design a user-friendly product that offered more coverage.

PROJECT PLANNING

Product Research

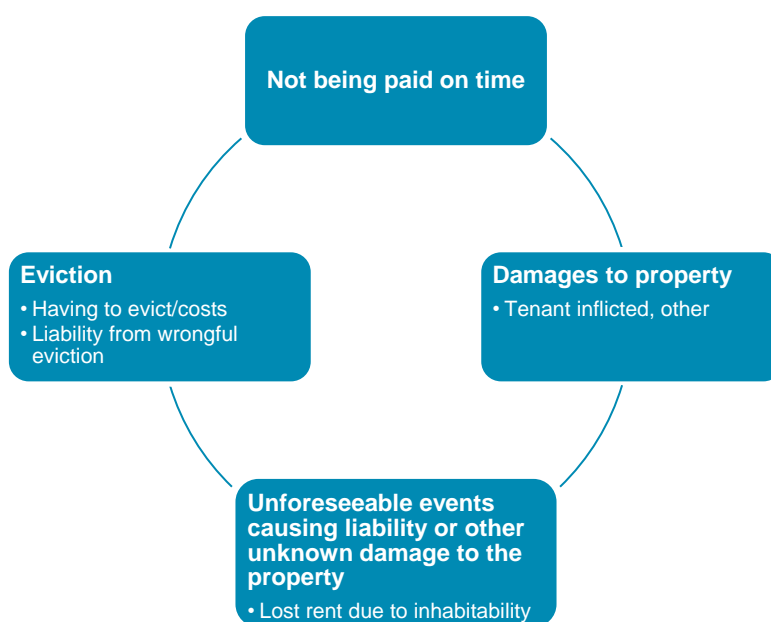
The project initiated with a written charter and stretch goals to develop the very best product in the industry across each dimension of rating, coverage, underwriting, ease of use, and marketing communication. The goals were communicated to the entire leadership and project team. The project was then prioritized, which cleared the way for the dedication of resources to be aligned across the entire organization.

CSE conducted primary and secondary research to learn about the needs of the customer and about the rental property market. They received advice from their agent advisory council. They analyzed landlord blogs, Google Analytics, Epsilon demographic and lifestyles market research, and Conning segment analysis. They joined the National Association of Residential Property Managers (NARPM) to learn about the industry from their perspective. They attended state and local chapter NARPM meetings and conducted a focus group with NARPM members at a local restaurant to learn about their insurance perceptions and needs as well as the needs of their clients.

Separately, they conducted a similar focus group of their independent agents and held 12 individual agency discussions dedicated to landlord insurance needs. They conducted internal focus groups with their claims and underwriting operations groups to understand and address their needs. They also analyzed their key competitors' market positions and product offerings. All this informed their 5 Cs marketing and SWOT analyses, which in turn led to clear product requirements.

Their analysis showed that landlords are concerned about missing rent payments and eviction. CSE brought this knowledge into the focus groups, and there the concept of CSE's Eviction Reimbursement coverage took hold. CSE developed a new cover and is now the only carrier to offer eviction expense reimbursement in the United States (copyright filed and pending).

Figure 12: Top Concerns from Landlords



Source: CSE Insurance Group

They also considered coverages occasionally offered in other lines such as commercial Business Owner Policy (BOP) and preferred Homeowners. Based on that perspective

they decided to offer Service Line, and Equipment Breakdown coverage — coverages not offered in the Dwelling Fire Space. In addition, and in response to agent needs, they increased numerous limits and sublimits to position the product to serve the mid-market up to the most preferred landlord segment.

In internal discussions with their claims department, CSE discovered that one national carrier has a hidden exclusion for marijuana grow and another that excludes liability arising from tenant-owned dogs. These exclusions can leave a landlord without needed coverage from a loss of a whole home or a vicarious liability expense due to tenant actions of which the landlord has no knowledge. After internal debate, CSE anchored back to their brand value proposition, “We are good policy people,” and decided it was not in their customer’s best interest to follow these competitors and hide similar exclusions in their policy. CSE decided clear communication of coverage was inherent to an honest policy. This willingness to take on the landlords’ risks will result in an estimated 2% higher loss ratio per year. Although it will cost CSE more, they stand by their commitment to providing fair and equitable coverage that does right by their insured customers. They are good policy people.

Throughout the product development process, they never stopped listening to their customers. They went back out to them to validate prototypes and get next-level information. They listened to their customer needs and validated solutions before, during, and after the project completed.

Product Rating and Modeling

CSE hired modelers with extensive experience building rating plans on similarly sized books with varied data sources. The company’s product rating is founded upon the science of Generalized Linear Models (GLM), built in SAS with visualization provided through Towers Watson’s Emblem product. They created a model based on 10 years of internal policy and loss data for both dwelling fire and home insurance. Home insurance was added to expand the data set and add credibility. They strengthened the data by using ISO Verisk Risk Analyzer territorial rating through exposure offsetting. This allowed CSE to focus on increasing the accuracy of their remaining residual variables.

To simplify coverage offerings for their policyholders CSE bundled coverages into three tiers: Basic, Plus, and Premier. They designed the policy administration system to select all the bundle packaged options with the click of one button.

Process Improvements

The process of adding rental property managers to a policy as an additional insured party was completed per an underwriting manual resulting in a high-touch process. CSE automated that four-step notification process by designing the base coverage contract to include a professional licensed rental property manager as “an insured” on the policy. When the policy is written, the agent enters the rental property manager’s name and address in the policy administration system. Upon issue the system automatically sends the property manager a notice that they have “insured” status; the property manager doesn’t even have to request it.

Another process change was in underwriting. CSE’s underwriting was based on legacy practices and variable human judgment. Working with actuarial, claims, and product, CSE developed an ultimate cause of loss analysis based on data and enhanced with claims anecdotal experience. The product’s underwriting rules were rewritten to include the new rate modeling algorithm and the ultimate cause of loss analysis. They also eliminated numerous underwriting rules that didn’t influence the result. For example, after listening to agents and property managers talk about their needs and assessing the risk, they relaxed eligibility rules about legal forms of ownership, stand-alone policies, agent binding authority, and the maximum number of rented homes allowed. In the end, their

underwriting manual was completely rewritten, and the rules in their policy administration system were cut from 30 questions to 14.

The Product

Table 6: CSE Landlord Product

BASE COVERAGE	<ul style="list-style-type: none"> 175% dwelling extended replacement cost \$1,000,000 premises liability and personal injury Bed bug or bed bug infestation remediation coverage \$1,000,000 premises liability and personal injury Ordinance or Law – Increased Limits coverage Highest deductible options in the industry Earthquake coverage
NEW TO THE MARKET	<ul style="list-style-type: none"> Eviction Expense Reimbursement coverage
EXCLUSIVE WITH CSE	<ul style="list-style-type: none"> Equipment breakdown coverage Service line coverage

Source: CSE Insurance Group

Product Marketing

Formerly, CSE followed ISO and called their product Dwelling Fire, which was not descriptive of the product. They considered a variety of alternative names that would be more descriptive, including rental property insurance and investment property insurance among others. Agent and property manager focus groups and their agent advisory council feedback all pointed out that customers primarily refer to themselves as *landlords*. Google analytics of search terms indicated a much larger use of “Landlord Insurance” versus other search terms. Using these analyses, they renamed the product from CSE Dwelling Fire to CSE Landlord Insurance.

They communicated the new name and coverage changes to renewal customers with rich and informative collateral that resonated better with customers and agents alike. This was enabled by their newly outsourced print services, which provided better quality materials than CSE’s in-house capabilities. They also added a new business and renewal business letter from the CEO to align the product with the company brand and give it a personalized touch. They provided their agents with a table showing CSE’s coverage, discounts, and exclusions versus the competitors.

They kicked off the new product at their agent convention, where they went over the new product’s features and benefits to the customer. Following the product launch they presented the product at agent road show presentations across California. Daily agent training webinars were also held during the weeks following the launch.

With the launch of the new product, CSE’s public website was updated to give a product overview, features, and discounts for prospective customers to preview. They also provided new digital marketing material for all agents through the CSEAgents.com website.

After the product launch, they opened a contest to the agents: if any agent could simply name another dwelling fire product in any state that has broader coverage, offered more discounts, or is easier to do business with, then CSE would give them \$500. As expected, there were no winners. This was to position CSE’s Landlord Insurance, in the

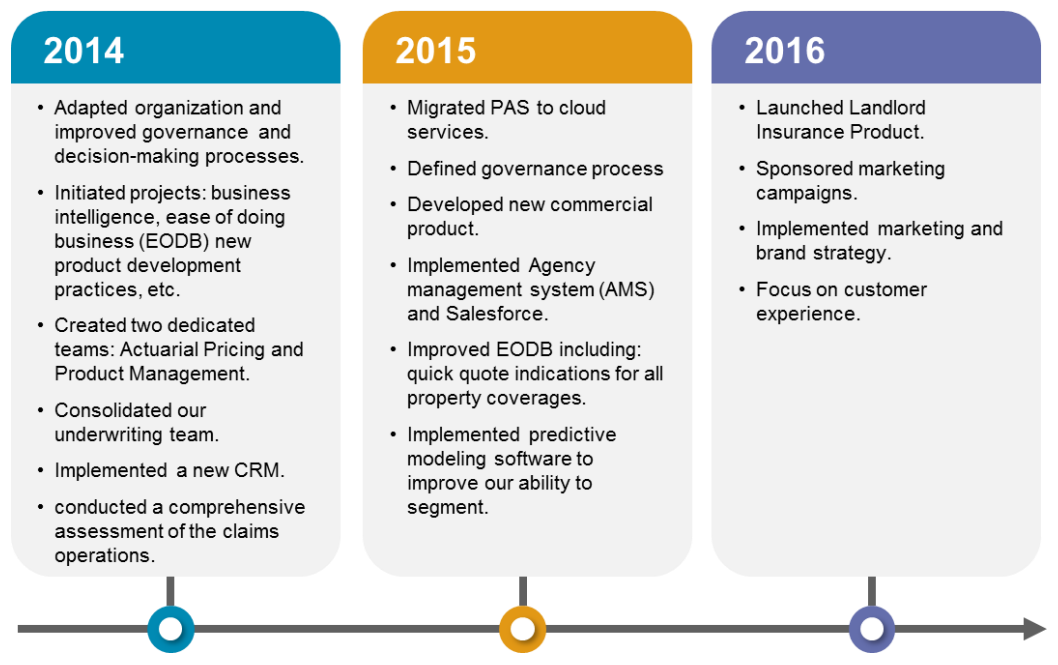
mind of the agents, as the best. It also offered CSE objective external validation that the product was indeed leading in the industry.

In the month following the product launch CSE introduced a sales contest for their independent agents and gave monthly awards for three months based on their production. There were three tiers of winners with prizes ranging from coffee mugs and gift cards to Fitbits and Kindle Fires. The results exceeded expectations. They had 133 total winners, and each month sales surpassed the previous month's production results.

The *Insurance Journal* released an article outlining the new product in California and highlighted its unique coverage features and enhancements.

DELIVERY

Figure 13: The Making of the CSE Landlord Insurance



Source: CSE's annual reports for 2014 and 2015

Technology Enhancements

CSE extensively used technology to develop the new product and then support it. Numerous applications were essential to support the business including: Towers Watson Emblem for predictive modeling; SAS for data analysis; Qualtrics for customer and agent surveys; SPInn Policy Administration system provided via ISCS; Rally Dev by CA Technologies to support the agile development process; Selenium for automated development testing; and Amazon for cloud services. CSE also licensed Verisk ISO risk analyzer territory factors to support their rating.

The scope of the project was so large it taxed CSE's IT team, who tackled most of the work without the help of their vendors. It was a complete makeover of their existing product: rating, coverage, user interface, underwriting questions, rules, tasks, workflow, billing, third party interfaces, forms, and documents. Thus, a major challenge they faced was the sheer volume of business requirements provided to the IT department to design, code, test, and implement. This was overcome by using their Scrum process, an agile framework for managing software development projects, to facilitate organizational collaboration between IT and the business in response to changing requirements throughout the product development lifecycle. They used CA Technologies' agile-centric

tool, RallyDev, to manage their work by identifying and managing “feature stories,” from vision-to-implementation of the product.

CSE also leveraged various open source automation tools to facilitate continuous integration (CI) development practices involving code deployment and testing activities, while minimizing system operational cost. They used Jenkins to orchestrate code builds and deployment workflow to environments for testing activities. They employed Selenium, an open source portable testing platform for web applications, to author test scripts to automate a suite of regression tests. They hosted these tools and the entire application infrastructure on the public AWS cloud for persistent availability, ease of maintenance, and system redundancy.

Building the predictive model took almost 12 months, which meant the IT team was also involved in day-to-day actuarial product development work.

Fortunately, CSE’s core policy administration system was pretty modern. Previously it was hosted by the vendor, but moving it to the cloud allowed CSE to develop, deploy, and test changes quickly. When they developed agent-facing user interface prototypes, they reached out to agents via webinar sessions to receive iterative feedback on how to design it and streamline the process. The resulting web-based UI uses dropdowns to capture data and supported the ability to “hover” over a field to get definition information for agents, which alleviates the need to use a reference guide. Based on feedback from agents, there was no demand for a mobile sales app. CSE’s future digital strategy will include policy servicing for all products.

The new product and supporting technology were pushed out in full. They took a big risk, but their mitigation efforts paid off because they had minimal issues on day one with the new book of business.

Project Team

The internal project team was enterprisewide. The project was governed and managed through monthly cross-division steering committee meetings. Communication and collaboration between the business and IT were high.

The core team included 24 staff: 2 from product management; 3 from actuarial and modeling; 1 underwriter; 2 from legal / compliance; 1 for training development; 1 marketing representative; 1 business technical analyst; 2 business analysts; 5 developers; the IT director; 1 release engineer; and 4 quality assurance testers.

Their external development team and resources included Perr and Knight actuarial services for consultation, numerous independent agents, and numerous rental property managers. The post-implementation operations teams include agency territory managers, underwriters, and claims staff.

RESULTS

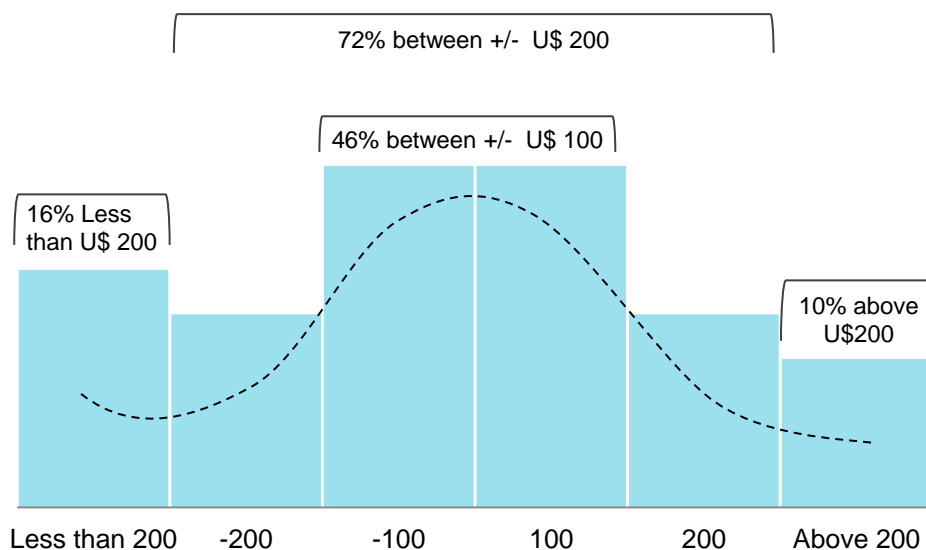
After many months of prework, the project began in June 2014. It took over a year and a half to complete. The first policy effective date was 15 February 2016. Since that time, new production is up 111% for premium, and the policy count increased 143%.

A key metric is the dislocation of premium on renewals. Dislocation is a visual measure of how much better the new rating is relative to the old rating formula. Better segmentation results in dislocation by better matching rate to high risk and low risk policies. By using a predictive model for rating, CSE saw a strong lift that improved segmentation results in “dislocation,” which means some renewal policies would experience a premium increase and others a decrease.

Renewal Policy Premium Dislocation:

- 46% of the book renewed within only \$100 of expiring premium.
- 26% of the book dislocated more than \$200.
- 16% decreased more than \$200.
- 10% increased more than \$200.

Figure 14: Renewal Policy Premium Dislocation



Source: CSE

Due to the high dislocation, retention decreased by about 7 percentage points. It is more than made up for by higher quality and more new business. They are now writing more “preferred” segment policies with less insurance claim risk, including:

- Higher replacement cost valuations.
- Newer building age.
- Larger square footage properties.
- Higher liability limits.
- Higher deductibles.
- More optional insurance coverages purchased.

The rating is supported with customer-friendly discounts. After evaluating candidate variables CSE promotes and displays over nine discounts, the most in the industry.

Other key metrics include:

- Through various technologies and the Scrum process, CSE delivered the full product to market and completed the project on time.
- CSE is growing into top 5 market share and ownership in this market.
- Average quote time went from about 7 minutes to 2–3 minutes after the new product.
- Time to complete an application went from 15 minutes to 10 minutes.

CSE made aggressive rate segmentation changes to drive favorable risk selection. Using the predictive model in their rating gives them confidence that the rates are adequate and sustainable. CSE is one of three companies in California using predictive models based on algorithms. They believe the rating algorithm provides effective risk segmentation and

enables pricing to match the risk efficiently. In the years ahead they will use these metrics to compare their growth rate and loss ratio to that of their competitors.

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