



Surety Implementation: Case Study

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WELCOME

Introductions

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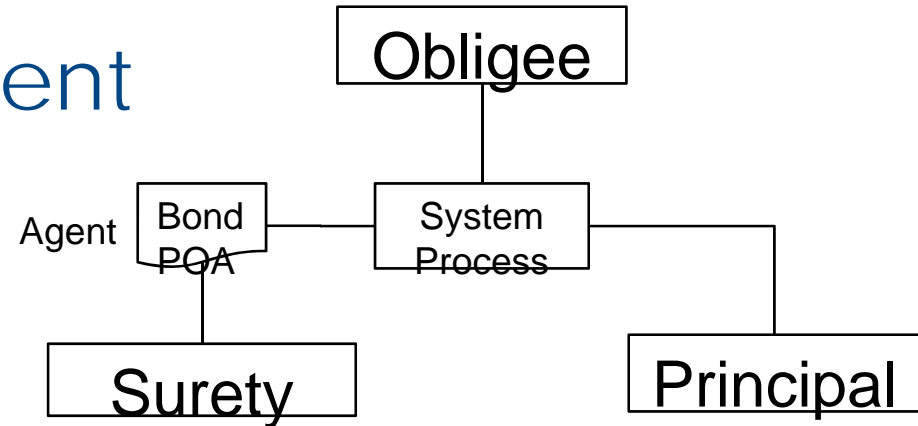
AGENDA

- Surety 101
- Participants
- Implementations
- Agent-to-Surety Upload Workflow & Terminology
- Implementation Challenges And Tips
 - Business – workflow & rules
 - Technical – data, technology & testing
 - Roll-out – training & pilot
- Benefits
 - Common, Surety, Agency/Producer
 - Sample metrics: benefits realized & potential
- Surety Working Group Update

Surety Overview (Primer 101)

- Three Party Agreement

- Obligee
- Principal
- Surety



- Principal and Surety sign bond
- Form prescribed by Obligee
- Agent/Producer signs on behalf of Surety under a Power of Attorney

XML Implementations – reported to ACORD

• Companies

- Aon
- Liberty Mutual Surety
- Superior Access Insurance Services
- The Hartford
- Travelers
- Zurich Insurance Group - NA

• Solution Providers

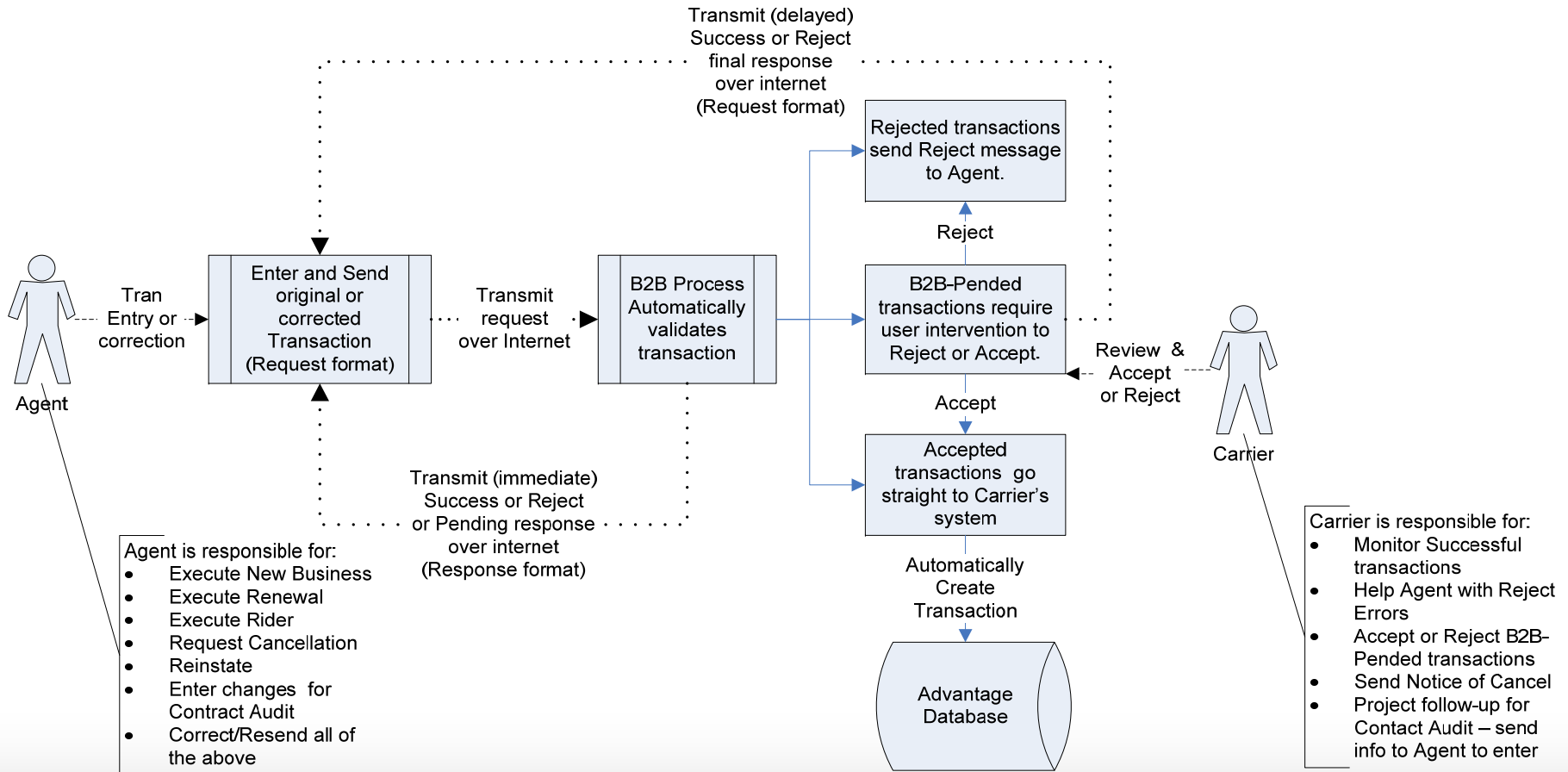
- InSureVision Technologies / SurePath
- Insurance Automation Group / Erlon



XML Implementations – reported to ACORD

- Surety Bond Transactions
 - Implementations cover full surety life cycle
 - Report of Execution Add
 - Request Add
 - Modification
 - Renew List Notify
 - Renew
 - Contract Audit
 - Partial Image Cancel
 - Partial Image Reinstate
 - Full Image Reinstate
 - Sync
 - Sync Status
 - Pended Response Notify

Surety Workflow using ACORD Upload



Implementation Challenges - Business

- **Change is a challenge in any organization**
 - Relinquishing control (carrier)
 - Changing workflow
 - Dual workflows
 - One-way processing doesn't fit every transaction type
- **Relinquishing a paper mentality in a SOX world**
 - Balancing No-touch processing vs. oversight (carrier)
 - Trust: B2B takes POA/LOA trust of agent to the next level
 - No more paper: Electronic Success response = Tran Report

Implementation Challenges - Business

- **Different “worldviews”**
 - Mismatch of business rules
 - Bad: Different terminology for the same thing
 - Worse: the same terminology meaning different things
 - Tip: maintain a glossary among the project documents
 - Tip: Send XML samples early
 - Tip: Translate internal error messages
- **Staying in sync – Matched data is necessary for success**
 - Initial reconciliation of data
 - Tip: Don't rush – this is critical!
 - Agency lock the bond until transaction is successful?
 - Surety lock the bond from manual entry?
 - Problem of pending transactions

Implementation Challenges - Data

❑ Marrying ACORD XML to relational applications

- Real-time rating may require this
- Maintaining a trading partner's database keys vs. text matching
 - Tip: minimal mapping of keys to link critical entities: Client to Account
 - Tip: Use industry standard keys where possible

❑ Processing requires SFAA class codes

- Used for statistical reporting
- Determine type of obligation and related rating
- Not familiar to producers
 - Tip: Include in reconciliation data
 - Tip: Surety provide lists of expected codes for each client during underwriting

Implementation Challenges - Technical

❑ Tight vs. loose coupling of applications

- Can you take the “Two-phase commit” approach?
- If not, sender has to account for missed transaction

❑ Timing issues in a real-time application

- Transaction sequencing
 - Tip: insert wait-time between related, sequenced transactions.
- Setting client timeouts (account for internet round-trip & processing time).
- Pending response processing requires both sides to build both “client” and “server”
- Batch “windows” are a problem for real-time upload

Implementation Challenges - Technical

❑ “The devil’s in the detail”

- ID/password security through proxy/firewall
- proper boundary tags on the attachment
- Less-than-compatible technologies
 - Tip: Build out send & receive services early
 - Tip: Iron out the “handshake” early
 - Tip: Get the security/compliance folks involved early

❑ ACORD Schema

- Having a well-documented industry standard is great!
 - Tip: May make use of schema validation
- It is huge – hard to work with and full of “overhead”
 - Tip: whittle it down to reasonable size
- It is constantly maintained with new releases
 - Tip: Buffer the external XML from your internal format with an adapter layer

Implementation Challenges – QA/Testing

❑ Who shoulders the testing burden?

- Writing/choosing test cases
- Agency system must send transactions, but verification in Surety's
 - Tip: Share testing burden
 - Tip: Build testing tools for independence

❑ When is testing done?

- Tip: Agree to completion criteria up front
- Tip: Plan pilot with savvy & tolerant participants

Implementation Challenges – Roll-out

❑ Learning curve #1: TRAINING in new concepts

- Tip: Present concepts in multiple ways:
 - Diagrams, Presentations, Manuals, Live Demos
- Tip: Conduct multiple sessions
 - Initial training (scripted) – trained counterparts “cheerleading”
 - Informal session at go-live with agency & surety users running “live” transactions
 - Follow-up Q&A, onsite when feasible
- Tip: Let each “side” get a feel for the other’s workflow & UI
- Tip: Train a few savvy power-users to be experts in the field.
- Tip: Clear errors promptly
- Tip: Develop the right habits from the beginning

Implementation Challenges – Roll-out

- ❑ **Learning curve #2: PILOT: Volume sufficient to get familiar, especially at start-up**
 - Change is tough – need to get comfortable
 - Select active accounts, with good business mix
 - Start with enthusiastic & tech-savvy partners
 - Tip: Piggyback on working with a partner already doing upload, when possible

Implementation Challenges – Roll-out

- ❑ Learning curve #3: Start-up is the toughest due to out-of-sync conditions in existing accounts
 - Tip: “Sell” upload at the top
 - Tip: Where possible, reconcile existing bonds up front
 - Partner may be unwilling
 - Renewable bonds only
 - Minimally make sure no bonds missing on either side
 - No magic to this
 - Tip: Set realistic expectations and goals
 - Tip: Include as much new business as possible
 - Tip: Provide some reconciliation tools

Implementation Challenges – Roll-out

❑ PEOPLE do the work

- Tendency to think technology precludes the personal
 - Tip: Remind users: “pick up the phone”
 - Tip: Surety user help with errors
 - Tip: Experienced users support novices – especially on the “other side”
 - Tip: Provide excellent Tech Support
 - Tip: Empathy – patience – good humor

Benefits – Surety/Producer

- ❑ Billing reconciliation – almost no errors
- ❑ E&O protection
- ❑ Real-time data currency
- ❑ Data in sync
- ❑ Reduced cycle times
- ❑ Eliminate Printing/Mailing Costs
- ❑ Eliminates paper handling
- ❑ Ease of doing business

Benefits

Surety

- No-touch or reduced touch
- Focus on higher-level work (less clerical)
- Uploaded attachments – no scanning

Benefits Realization Metrics (sample): Percent Transactions Uploading for Participating Accounts

One Surety/One National Broker
(Mature Implementation)

New Business	95%
Renewal	97%
Endorsement	58%
Cancellation	92%
Reinstatement	17%
Contract Audit	77%

Benefits Realization Metrics (sample): Percent No-Touch for Uploaded Transactions

Percent No-touch

New Business	98%
Renewal	100%
Endorsement	97%
Cancel	15%
Reinstate	100%
Contract Audit	95%

Benefits

Producer

- ❑ Immediate confirmation of premium – before invoicing client
- ❑ Transaction control (no auto-renewals)
- ❑ User enters transactions in own system
- ❑ B2B time savings – approx. 9 min. per NB/renewal
- ❑ BOR's – bonds can be uploaded automatically ensuring 100% in-sync if agency system supports

“As far as the B2B goes, it is a true timesaver.... I find the B2B to be an excellent way to save an enormous amount of time in catching accounting errors, processing rules, etc.... I can tell you that with B2B, it should eliminate any discrepancies as the bond is not accepted until the #'s match!”

----- quote from agency user



Agency Surety Implementations

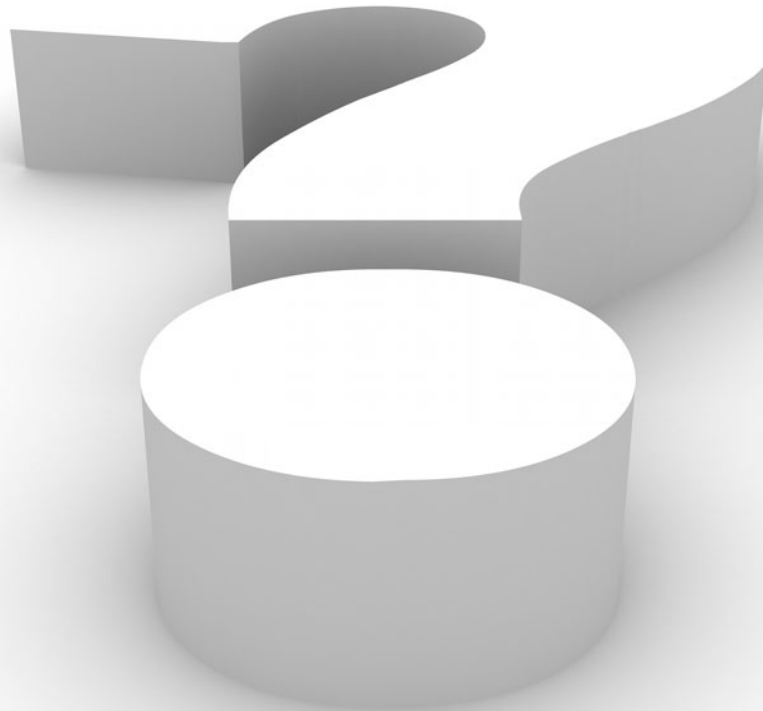
Platform	Agency Offices	Trans in 2008	Potential (Travelers & Liberty)
AonBondLink	15	35,674	60,000 - 80,000
SurePath	34	2359	100,000 - 120,000
Erlon	5	493	2,000 - 4,000

* Limited implementations began in 2008

Surety Working Group

- Status
- Implementation Guide
 - Participation (ACORD members only)
 - Register on www.acord.org
 - Email workinggroups@acord.org and request membership in the Surety Working Group
 - 2nd and 4th Wednesdays of each month at 1:00 PM Eastern

www.acord.org



Thanks...

For their contributions to this presentation:

- Jennifer Jakaitis, Aon Surety
- Pam Stocks & Bev Hall, InSure Vision Technologies
- Greg Siefert, SpringHead, LLC
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