



THE COMPUTERWORLD HONORS PROGRAM

CASE STUDY

ORGANIZATION:

The Hanover Insurance Group

PROJECT NAME:

Agent Enhancement Projects

Summary

Under the direction of President and CEO Frederick H. Eppinger, The Hanover Insurance Group set out on a journey to build a world-class property and casualty company in 2003 – one that would generate strong financial results, deliver top-quartile products and services to its agent partners and customers, and be a place where great people wanted to work.

The Hanover, whose sales and revenues come from a network of Independent Agents, committed to its agents to provide world-class underwriting and competitive products that deliver on responsiveness and “ease of doing business.” It was clear at the outset that the ability to deliver high-quality, easy-to-use technology solutions quickly and well was critical. A key component of the company’s technology plan was the development of a Service Oriented Architecture (SOA), as a means of significantly enhancing its ability to bring new products and service enhancements to market more quickly, at low cost, and with maximum flexibility.

Three key initiatives that have since delivered on The Hanover’s ease-of-use capabilities to its agents are: The Agency Place, a single destination web portal for Hanover agents for all their business needs; Connections Auto, a multi-variate private passenger auto rating and underwriting platform; and enhancements to its Point-of-Sale (POS) platform that provides agents with single-sign-on capabilities, simplified front-end screens, and reduced paper output.

Introductory Overview

In 2002, The Hanover made the strategic decision to focus on the profitable growth of its property and casualty business, and discontinued retail sales of its life insurance products.

In 2003, after an extensive search for new leadership, the company’s board of directors named Frederick H. Eppinger president and chief executive officer. An industry veteran with more than 20 years experience, Eppinger was formerly a senior executive at The Hartford and a partner at McKinsey & Company, where he worked closely with leading insurance companies on restructuring and turnaround efforts. Under Fred Eppinger’s direction, The Hanover began a journey to become a world class regional property and casualty company.

Strategic Focus: In 2003, The Hanover established an immediate set of priorities: stabilize the

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STATUS:
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CATEGORY:
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NOMINATING COMPANY:
Keane



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company, restore stakeholder confidence, and reposition the company for an even brighter, more successful future. In an environment of increased competition and industry turmoil, the company focused on six guiding principles: To sustain a strong financial position; To provide a world class professional staff committed to providing the best possible service; To create a strong culture of execution; To further strengthen and develop long-term, mutually beneficially partnerships with winning agents; To provide competitive product solutions; To provide dedicated, responsive service through cost-effective operating models. A key technology component of delivering on these promises was the company's plans to adopt Service Oriented Architecture (SOA) as a means for significantly enhancing its ability to bring new products and service enhancements to market more quickly, at low cost, and with maximum flexibility. Three key initiatives that have since delivered on The Hanover's deep commitments to its agents are: The Agency Place, a web portal that serves as a single destination for Hanover agents for all their business needs and enables the rapid development of easy-to-use applications; Connections Auto, a multi-variate private passenger auto rating and underwriting platform; and enhancements to its Point-of-Sale platform that enables business transactions and provides agents with single-sign-on capabilities, simplified front-end screens, and reduced paper output. The Agency Place is a web-based agency portal that provides The Hanover's network of Independent Agents with centralized access to all of the information and tools they need to conduct business in the most efficient and simplest manner possible. Working with IBM, The Hanover built a set of agent portlets that included the capability to search on-line – via a single-sign-on capability – document searches, new-business processing and inquiries for claims, billing and policy information. The initial expectation was that building the portlets would take about a year. With SOA as its architecture framework, The Hanover designed, built, tested and rolled out The Agency Place to its agents within six months. This portal supports business growth and enables the rapid development of easy-to-use applications for agents. It is available to all agents representing our company, 24 hours a day, seven days a week, making it easier for agents, their customer service representatives (CSRs), producers and agency principals to conduct business on their own schedules. The Agency Place not only provides quicker access to information and faster transaction processing, it also provides agents with easy access to detailed billing, claims, customer and policy information. Agents also have access to an extensive library of online documents, forms, manuals and other informational resources that they need to do business with us. The benefits have been dramatic. What previously had taken approximately 45 minutes under the old system -- moving a policy transaction from quoting, to underwriting, to issuance -- now takes around one-third the time. There have been significant improvements in customer service as well. Previously, agency CSRs gathered different types of policy information through various ways, spending an average of 5 – 20 minutes getting an answer to a customer inquiry. With The Agency Place, the CSRs can access policy information (policy terms and limits, billing information, claims status, etc.) through this portal and have an answer within two minutes. Additionally, agents have on-line access to The Hanover's underwriting appetite guides and manuals, as well as agency principal reports. (Using this approach, The Hanover went on to develop an internal dashboard portlet for its managers. This replaced a spreadsheet and paper-based system that produced monthly reports of order flows through each agency, by product line and by line of business. Most of those reports had been available only monthly. Now, managers have access to current information on a daily basis.)

Connections Auto. The development and roll out of our multi-variate private passenger auto product, Connections Auto, was a key component of our corporate restructuring effort. It



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needed to be executed quickly and well, and our Connections Auto team did just that. Key to the product's design was the ability to provide multivariate rating capabilities for each and every auto policy in targeted states. Ultimately, the product would have more than a billion pricing permutations and would have to be compatible with our PMS legacy platform. The product design required new ways of quoting, underwriting and issuing auto new business. Initial expectations were that the product would take 18-24 months to develop and launch. As a result of the combined efforts of a team comprised of Business and Technology folks, as well as employees of our key technology sourcing partner, Keane, Inc. -- which provided 24 x 5 development capability -- the team adhered to an aggressive timetable which enabled them to design, build, test and roll out the first wave of implementation in less than half the time anticipated based on industry standards. Within a seven-month window beginning in April 2005, the Connections Auto product was implemented in eight states. Another two states have been rolled out during the first quarter of 2006, with several more states to follow later in the year. Incredibly, with a target implementation of less than 10 months from project kick-off to the first wave of implementation, the team delivered a product that resulted in an increase of more than 40% in new private passenger auto business in 2005, and the momentum continues in 2006. The product has been well received by our agents. In the face of increasing competition and continuing consolidation in the insurance industry, agents are looking for business partners that can help them grow their agencies. Our agents have told us that Connections Auto provides the broad market reach, competitive rates, and ease of doing business they need, and that our full suite of products enables them to offer their customers a total account solution. They also have cited Connections Auto's ease of use as a differentiator for us in providing competitive products and in strengthening agent partnerships. In addition, bypass criteria built into the system enables our underwriters to have more efficient and effective use of their time.

Point-of-Sale Enhancements. The Hanover's Point-Of-Sale technology is an online application that allows agents to quote, price and bind policies for their customers—right in the agents' offices. The application simply requires agents to enter pertinent information about their clients and the risks via a set of simple front-end screens. In a matter of minutes, they can receive a quote and, then in turn, issue the policy. Hanover has made several enhancements to this application in the past 12-18 months.

As part of The Hanover's legacy-surround strategy, its POS system enables the use of simplified entry screens to feed a mainframe policy management system to quote/issue/endorse personal lines automobile, homeowners, and umbrella policies, as well as for commercial lines business owners policies (BOP), auto, workers' compensation, and umbrella policies.

We retooled our existing POS functionality and optimized screens in conjunction with the Connections Auto rollout to allow for 5 minute quote capability, a significant improvement over the previous length of time of approximately 12 minutes (on average). Through The Agency Place and POS, we enabled single-sign-on capability for our agents so they would not have to log on to separate systems for different information. We also improved operational efficiency for our agents to more easily access comparative raters and real-time rating packages, reducing the agents' need to rekey information multiple times. Essentially, the POS enhancements eliminated redundancy in keying information, thereby improving quote time; offered single sign-on capability for agents, and activated reports (via The Agency Place), thereby reducing the amount of paper sent to agents.

The success of the POS enhancements was realized as a result of the aggressive collaboration of



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the Business and IT in identifying functionality into reusable components, and then organizing them into a logical framework.

A key enabler of the POS enhancements was the Service Oriented Architecture (SOA) path The Hanover adopted. Using the SOA/PegaRULES solution, IT and the business were strategic partners in the authoring of code. The more the business has the ability to create a rule, the easier and faster systems can be turned around. In the highly competitive insurance industry, shorter duration in the development cycle of a product increases our speed to market. This SOA path also was central in The Hanover's ability to deliver both The Agency Place and Connections Auto products.

Benefits

The individual benefits of each of the initiatives presented here are addressed in the sections above. In essence, these projects have been a very important element of the broad and very successful corporate restructuring program our company began in 2003. The Hanover has made significant progress on its journey to become one of the very best companies in its business, strengthening its financial and operational foundation, and creating a truly distinctive position in the market as a super regional company. As one indication of the success of that effort, the Wall Street Journal earlier this year reported that The Hanover Insurance Group, Inc. generated the single best three-year shareholder return among all property and casualty companies for the period through year-end 2005. The Hanover's shareholder return for the past three years was 60.9 percent – nearly three times higher than the average for all property and casualty companies. Our ability to generate such strong returns clearly reflects the financial, operational and organizational progress we made during that time and the value we created in our organization.

The Importance of Technology

Information Technology is a differentiator for The Hanover. It enables the company to deliver on its promise to its agents to provide deeper partnerships and easy-to-use world-class products and services. The Hanover's success in this arena is directly attributed to the close alignment of its business and IT divisions and their aggressive collaboration in designing, developing and deploying technology to its agents.

Originality

- SOA – enabling IT and the Business to be strategic partners in the authoring of code. The more the business has the ability to create a rule, the easier and faster systems can be turned around.
- Use of the 24x5 development capability provided by Keane, Inc., to increase our speed to market.
- Single sign-on capability offered to our agents.
- IT Service Management (ITSM) framework for the effective deployment of our Adaptive Infrastructure Strategy

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Success

The combined success of these initiatives has helped The Hanover build deeper agent partnerships. The company has appointed a significant number of new agents in existing and entry states, and is increasingly being positioned in existing agencies as a top tier company.

For additional validation, please go to:

http://www.hanover.com/thg/news/press_releases.htm (for our press releases)

http://www.hanover.com/thg/news/in_the_news.htm (for other releases in which The Hanover in the news)

Difficulty

- Scale/complexity of these undertakings
- Transformation of skill sets
- The Agency Place – providing a solution for consistent, manageable reporting for our many agents. Ultimately, The Hanover utilized Whitehill Transform to convert print data to PDF format, eliminating the need to go to an XML intermediate format.

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