

Implementing an off-the-shelf insurance management system in a small business¹

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ABSTRACT

Small businesses are the basis of many national economies including that of the USA. Unfortunately, they often do not have adequate resources to develop custom information systems on their own. And yet, they have to take advantage of on-going developments in information technology, currently ranging from social marketing to mobile devices. They are highly reliant on off-the-shelf software products to meet their needs. A common drawback of such commercial off-the-shelf software is that they require the firms to adapt their workflows and procedures to an external software system often causing both human and technological problems. The resource constraint of a small business can also affect its ability to provide an appropriate employee training when adopting new technologies. This case describes one such challenge faced by an independent insurance agency and highlights the need to properly plan for the selection and implementation of such off-the-shelf information systems.

Keywords: System Implementation, Small Business, Off-the-shelf Software, User Training, Software Selection

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¹ The purpose of this case is to illustrate to students the difficulties in evaluating new software systems and highlight that both human and technology issues could make a system implementation very complicated. Situations, names and descriptions of profiles, and geographic locations have been modified to protect the identity of the focal organization and its clients.

INTRODUCTION

Rett Insurance Agency (RIA) is an independent insurance agency that deals with mainly commercial insurances. In the American Agency system of selling insurance, independent agents represent multiple insurers and own some rights to the policies they sell (Anderson, Jr., & Weitz, 1998). RIA is such an independent insurance agency. Its specialties include high-risk insurances such as construction, coal mining and railroad companies. Their lines of business include workers compensation, property, casualty, fleet, and health insurance for these commercial customers.

RIA is an established insurance agency founded almost a century ago by Clark's father, but he did not think about planning for the succession of his company. This gave rise to some difficulties and in the mid-70s, the company entered into a loose partnership with another insurance company owned by Daniel. Such lack of succession planning plagues many independent insurance agencies. Daniel had assumed operational responsibilities for RIA until 1992 when Clark joined the office to continue the legacy of his father. Daniel had done a great job keeping both companies afloat, yet most of the new clients over the years were assigned to his own company, leaving RIA with only those accounts Clark's father had cultivated many years ago. The organizational chart of these organizations that coexisted are shown in Figure 1 and Figure 2 (Appendix).

This partnership proved to be very difficult and over time both companies' growth almost came to a halt. However, hope came in early 2000, when Clark's daughter, Regina, a top sales person for three years in a row at her previous employer, decided to join her father at RIA. Although Regina had much to learn about insurance, her sales abilities alone indicated that there would be a bright future for her in the agency.

Daniel quickly saw her potential and took Regina under his wing teaching her everything about property, casualty and workers compensation insurance. He got her involved in various committees and organizations, and before long Regina became a prominent agent in the region. She was moving up fast and gaining a lot of clients along the way. However, the office staff was not sharing this passion, or helping her in this process.

Regina was generating most of the revenue for the company and at the same time, she was also doing most of the work of a typical Customer Sales Representative (CSR). The CSRs typically worked directly with the clients, and assisted agents during the quoting and issuing of policy. They also handled most customer service throughout the life of a policy. However, the office staff still seemed to view themselves as Daniel's employees and not interested in helping out Clark or Regina. Between selling, inputting into the legacy system, drawing up and delivering policies, dealing with customer support and services, and doing committee work, Regina was beginning to lose control.

SETTING THE STAGE

Independent insurance agents hold a significant market share in the US. The total market size for the insurance agents in the entire US in 2012 is estimated to be \$154 billion with a historical of growth rate of 2.6% between 2007 and 2012. The industry employs approximately 911,000 people and the total number of such businesses are about 35,700. Revenue has remained relatively strong during the recession because of the constant need for insurance coverage in times of economic growth and decline. Still, it is expected that The

recovery will likely cause demand and revenue to pick up. However, the industry is also expected to face competition from online brokerage businesses and direct insurance sales models (Insurance Brokers & Agencies Market Research Report , April, 2012)

There was some stagnation in the industry after the recent recession, but there is evidence that the independent insurance agency industry is stabilizing. Recently, there is evidence that the agencies will begin hiring but that they may be targeting employees who are technologically adept and have skills in social networking and other technological market tools to drive business (Ruquet, 2010). Many of the independent insurance agencies are privately held. Private ownership provides many advantages and yet many agents come to the point of selling their organization to other buyers. Many agencies have gotten themselves into a position where they cannot continue to remain private. The reality is that it is difficult and complicated to remain privately held, and agency owners are getting a lot of confusing messages (Reagan, 2010).

Most of the employees within RIA had worked there for many years, primarily with Daniel. Over the years the employees had gained a lot of power within the company, as they were allowed to make their own decisions and do whatever it took to run the business as various needs arose, while Daniel was working on pursuing sales leads. The environment had become very relaxed until Clark joined the company in 1992. Clark wanted more structure and consistency within the office, and that expectation was met with some resistance from the employees. The tension in the office grew even more when Clark brought in Regina. The staff felt as though the new partners were taking over the DEM staff, so instead of working with them, they began to ignore and refuse to assist them. There was no clear reporting hierarchy within the agency.

In the beginning of 2010, RIA bought out DEM making the partnership official. The partners hoped that combining the two companies would result in greater financial benefits and cohesiveness within the office. They also hoped this would lead to an increase in company morale and work ethic of the office employees. However, this did not turn out as well as the partners had hoped. Over time, the employees developed various processes within the office. However, these were not documented very well. At no time could anyone tell the true status of a project, or immediately find the information that was being requested. This lack of organization was beginning to cause trouble for the company as customer service was beginning to slip. While Clark and Regina felt these issues, Daniel had not noticed anything was wrong as his work was still being done as always.

Clark and Regina finally decided that it was better to hire an additional employee to help with their work load. Although the new employee was experienced, the staff was not willing to work with her to explain their processes, or teach the tools. Therefore yet again, the work was not being done completely. The partners hired an external consultant to help get processes documented and to help fill in the missing pieces within the system, but that did not result in improvements either. The staff continued to do things their own way, and had difficulties changing. Clark preferred a sterner approach to handling personnel issues however this did not work as Daniel was not supporting him. No major change was possible as employees as a group held a significant influence within the company.

Finally, in one meeting, the partners sat down with the employees to discuss what the true issues were in the office but no one wanted to discuss them. The employees acted as though everything was running great, even though it was apparent that they truly did not believe so. However, the newest employee spoke up and said that she did not have a clear

understanding of the processes within the office. The employees felt attacked and responded that the current Agency Management System was at fault as it had too many problems, and consequently some processes were not being completed. The partners had also noticed a few issues within the legacy system currently in place.

THE CASE DESCRIPTION

The Legacy System- Insurastar

In the early 1990s RIA purchased its current insurance management system Insurastar. Insurastar supports property, casualty, benefits and workers compensation coverage for companies and individuals. It also provided a full financial and accounting program. Documents could also be stored, and emails or faxes could be sent if connected to a network properly. Insurastar also had generic work flow tracks to follow that could be customized to fit any office processes within the system. Although each of these features had the ability to be very useful, small glitches in the system prevented some of the features from working properly, and there were ways to go around them. One of the primary issues were that the work flow processes, and other tools, were never properly setup, therefore not used as an asset to the company. There was no consistency in the way employees were using the system and as a result on many occasions errors would occur.

A typical process for a new client would start by manually inputting all of the personal and company information, as well as general policy needs for the new entry. This could include multiple policies, and always included all the items covered in each policy. Then someone would have to go online and reenter all of this information for multiple insurance carriers in order to obtain a quote. The best quote would be taken and at that point the specific policy information would be added to the entry in the system. Then, when the hard copy of the policy came in, it would be compared with information on file, copied and bound. The customer copy would be either mailed or dropped off to the client, while the original hard copy would be kept in the office. Once scanners came into the office, an extra step of scanning the policy would be added to the process, and the electronic policy could be stored on the network. This was a very time consuming process.

Not only was the process repetitive and extremely time consuming, but there was neither consistency nor a clearly defined workflow. Multiple people carried out the same task in slightly different ways. In some cases, employees refused to do certain processes, but a lack of communication resulted in some of those processes never being completed. This caused constant confusion and uncertainty as to what the status of a policy or endorsement was and which employee had what information. On occasion some of these steps would be completely left out, resulting in possible high liabilities for RIA. These mistakes could cause serious legal issues for RIA if they were ever found.

All three partners agreed that these issues had to be solved, not just to improve usability but also to prevent errors that could cause greater problems and possibly lawsuits against RIA. Although they did not know all of problems, they knew the employees were not going to change, and consequently the only solution the partners could see was to replace the existing insurance management system with a new system that would require the employees to relearn the processes. The partners hoped that a new insurance management system would

run more efficiently and save time, and that it would create consistency across the processes within the company.

In a study small business executives were interviewed and asked to identify the single most important thing they had learned about managing the use of information technology (IT) in their firms. The most common response was staying current/keeping up with changing IT. The training/education of end users, the ability to get information quickly, and accurate data were also given as things the executives had learned. (Riemen, schneider & Mykytyn Jr., 2000). These were exactly the thoughts of the partners of RIA in considering a new system.

Another motivating factor for a new management system included how the technology is changing the industry. In the IVANS' 2009 Technology Survey, approximately 36% of agents reported using real-time upload. However, in 2011 this number has increased to 52% as per their most recent survey. In addition, the use of commercial lines download also increased from 42% to 59%, along with claims download which increased from 18% to 30%. (Loguercio, 2011). The same survey indicated that there is a high level effectiveness/efficiency that agencies using real-time quotes and downloads are deriving. This lead many agents to support continuing investments in implementing and enhancing these technologies for their agencies and RIA was no exception.

Replacing the legacy system

There were multiple products being reviewed by the partners during their search for a new insurance management system. Modern insurance agency management systems incorporate many features that increase productivity. Total policy count, preparing a list of policies that are about to expire, tracking premium payment and commission income are all some of the fundamental features needed for a insurance management system. User-friendly interfaces, different types of commission reporting, availability of standard forms needed, Imaging of documents, standard letters and mail-merge, customizable quote Management, embedded E-Mail capabilities, client notes and follow-up reminders, customizable policy types, online cloud Storage, and built-in accounting features are obvious areas of insurance management systems that improve productivity (See for example (Management made easy: InsurancePro Agency Management System, 2012)). Modern agency management systems also offer useful dashboard screen to monitor performance (See for example Figure 3). These dashboards are an easy to read real-time user interfaces, showing in a nutshell the current status (snapshot) and historical trends of an insurance agency's Key Performance Indicators (KPIs). These screens enable instantaneous and informed decisions to be made at a glance.

Newer information technologies are also allowing agents to stay in agency management systems and obtain quotes without ever going to an insurer's Web site. For independent agents, technology has also enabled presenting different pricing and product offerings (Tremblay, 2007).

Many independent insurance agents feel that single-entry, multiple-company interface, that is part of property-casualty insurance, is difficult to achieve. There was frustration among many agents due to technological roadblocks imposed by propriety carrier systems. These propriety carrier systems forced them to do extra work and slow down their processing time. The agents have been benefited from improvements in real-time communication with their carriers and clients (Friedman, 2006). After weeks of research and

gathering information, there were two top contenders in the running for the new system.

Option 1 was the newest product from the vendor who sold Insurastar, the agency's current system. It had been highly touted by multiple other agencies as well as the Workers Comp Institute. However, the partners were wary about using the same vendor who sold the current system that had already led to many problems within the company. So they were favorably inclined to Option 2.

Option 2 system seemed to have everything needed by the agency. Ease of use, automated and configurable workflows, a strong financial module, high levels of security, and simplified document storage were all the strengths of this system. It seemed to have everything RIA needed. It also provided many additional benefits for the CSRs, which was very important as they would be key users.

The E&O (Errors and omission) benefits were also very beneficial for RIA. They had been needing help with E&O and this product offered just what they needed. It helped analyze cost, customer, risk, and process management. It also allowed customizable reports. In summary, this looked like the whole package, so they decided to look into costs and demos from the company.

The prices of the various options of this system were a bit higher than RIA planned, but the demo was very impressive. Although this product was completely different from the legacy system, the partners felt it may be just what was needed to start over. So, at that point they decided to ask the staff as a whole to sit in on a follow-up demonstration. As the office interacted with the program multiple issues came up including some of its limitations but primarily, the system did not work exactly how the employees wanted it to.

In the end, the demonstration was a failure in the eyes of the employees. So, instead of taking a closer look at the issues, RIA went back to the drawing boards. All hands pointed yet again to Option 1. But before they made a decision the office sat in on another demonstration. The staff watched in amazement at the things this program could do, and noticed many functional similarities with the legacy system, which the employees loved. Throughout the demonstration, employees asked questions and made sure the system would run how they wanted it to, and it seemed to be just what the employees wanted. Although the partners had some apprehension, there were some concerns regarding the production company, RIA partners wanted to make the employees happy, so they made a deal and purchased the software. The office employees were very excited about the new system and ready to transfer to this new product immediately. The enthusiasm of the employees reinforced the partners that their decision was correct. The agency began the implementation the following week. Everyone knew this was going to take some time, but they all agreed it was what was best for the company. For the first time in a long while things seemed to be getting better.

INITIAL IMPLEMENTATION

There were many features of this new system that were very new to RIA. Many of these new features required a lot of work to set up that wasn't mentioned during the demo such as preference settings, views and much more, but RIA was okay with this additional work. One employee was assigned to the project to focus on configuration for the general use of the software while another employees focus was setting up the financial and accounting aspects.

One key feature was the idea of an online management system. RIAs employees were used to having the system in-house which required them to connect to the office computer remotely in order to work from home or while on the road. This proved to be difficult in the past, and caused a lot of frustration for all the employees. An Internet-based system, which would be accessible from anywhere with a secure connection, seemed to be a much more convenient, especially for the agents while they traveled.

The product also allowed an easy drag and drop of documents, emails, and notes to attach to a clients file, or to a specific policy. This was a very useful feature. Also, it utilized Microsoft Outlook which synced emails sent to clients with the client files in the management system, another very useful aspect of the system. There were many more processes that would be simplified by this product, however the most important addition was the ability to download and upload policies. Although this feature was not yet working, it seemed as though it would be the most beneficial feature of the new system.

Research in Information Systems has pointed out that top management support is a key recurrent factor critical for effective IS implementation. However, the role of top management support may not be as critical as external IS expertise, in the form of consultants and vendors, in small business IS implementation due to the unique characteristics of small businesses (Thong, Yap, & Raman, 1996).

POST-IMPLEMENTATION DIFFICULTIES

After the first few days working with the system, things changed. There were more issues than anticipated, and the process of implementation was expected to take much longer than initially planned for. First, the partners found that fee paid to the vendor did not include the transfer of client, company and contact information. This was an additional outlay of money that RIA did not want to pay, so instead one employee manually entered all of the personal and company information to the database. This process ended up taking weeks of the employees time that was not planned for.

Secondly, RIA faced problems with one of the most promising features, the ability to upload and download policy information directly into or from the system. This would work for new client policies, as well as renewal policies, endorsements, etc. and would save the staff a ton of time. However, like everything else, it also came with some fine print. Not only was this ability very difficult and time consuming to set up, but it did not work as demo had led them to believe. During the demo, it was not mentioned that these abilities were only provided by select larger insurers, and as it turned out most of RIAs policies were written through companies that did not have this capability. This misunderstanding left a majority of the policies to be entered manually. Two employees took on this task, on top of their normal duties, and it took multiple months to complete. Amidst this chaos, the partners tried to keep high hopes that in the end this would all be worth it. But day by day all of the problems throughout the process seemed to be adding up in costs, and reducing the morale that was once in the office. Training was another issue. Training for this new software was to be completed online through live classes and recordings. All the employees were expected to be doing these trainings throughout the week, and weekly meetings were held to encourage discussion between the management and staff. However, in these meetings no one would talk about the training, or any of the problems identified with the system. This led management to believe everything was going according to plan, but they were wrong. The partners were

stunned when they found out about all of the additional issues including how the employees felt that the training that had just been completed is inadequate. The original launch date for the new system was supposed to be April 1st 2010, however, due to all these complications; the launch date was moved back three months to July 1st.

Since RIA handled its financials in-house, how accounting was handled in the new system was crucial to its success. However, it proved to be much harder than anticipated. The payments had to be divided between systems; certain payments would have to be on separate systems, and show on separate books. This task was very hard for the person in charge for accounting, so after the first launch date was postponed he determined that July 1st had to be the new launch date. July 1st was half way through the year, which would allow all payments as well as both books easier to separate for the fiscal year.

The date could not be postponed much longer. Since the beginning of the year, employees were inputting information into both systems due to confusion and uncertainty of the new system. This could be very hazardous in the event of an Error & Omission claim. If either system was wrong, the company would be held legally responsible for inconsistent and repetitive data. Technically, in the insurance world, it was illegal to have the same data in multiple locations. Therefore, the system had to be implemented as soon as possible. There could be no more excuses.

CURRENT CHALLENGES

The three partners, Daniel, Regina, and Clark, of Rett Insurance Agency (RIA) met in a late afternoon meeting trying to solve a difficult problem facing the agency. The partners held three very different perspectives of the new management system that is being implemented but none knew exactly what should be done to solve the issues at hand. They also were unsure as to who would bear responsibility for the current situation. The new agency management system would be implemented in exactly one week. And yet none of the staff was ready for the new system, nor were the partners themselves. This was going to be very challenging, and intense meeting. The past six months had been very long and challenging, as the original start date had already been postponed three months. The cost was getting too high to keep the legacy system in place as well as an unimplemented new system in parallel. The two systems available at the same time was also causing confusion with the office processes leading to errors in inputting and reporting. Something had to be done, but everyone was unsure as to what was the right course of action. This was a very complicated process that had taken six-month of preparation, including four months of training for the staff. If the staff were not ready by now, would they ever be? The office staff originally supported this new system, but now they were very hesitant and unsure of its capabilities. What went wrong? How could the partners gain the support of the office staff again for the new system? This stress had lowered the morale in the office and led to many other unforeseen issues. The immediate concern was what should the partners do now? Should they not go through with the implementation but continue with their legacy system? Should they spend more time on training? What is the best way to transition into the new system? They were aware of what some experts in the insurance industry say: "It is interesting to note that most agencies today have the tools and technology needed to operate at peak efficiency. This includes agency/benefits management systems, document management systems and connectivity to the carriers for real-time transaction processing. However, we are only as

good as our implementations (Nettles, 2012).”

The partners sat in silence knowing they had a long and strenuous meeting ahead of them. They had to inform the staff on the next steps the following day, but the hardest part would be reaching an agreement among the partners before then.

In Search of a Decision

Although all the problems seem to have no easy solution, the partners had to end the blame game and make a decision. But what is the correct decision, and how can they explain this to the employees? They were the managers of the agency, so they had to work together setting aside their personal differences. So they put their heads together and started brainstorming. How much money should they be willing to spend? Who should take over the project? Is the new system still needed? What harm would be done by postponing? Although they knew it would be a long night a decision would have to be made and presented to the staff the following day.

CONCLUSION

Many organizations, especially small businesses, use packaged software instead of in-house developed information systems. Small businesses often lack the organizational resources and technical expertise to develop information systems that exactly meets their needs. In other words, for small businesses packaged software is the only way to acquire information systems. However, while the lack of resources forces a reliance on packaged software, it simultaneously decreases the likelihood that the chosen package will satisfy the organization's information needs (Janson & Subramanian, 1996)

It has been pointed out in information systems literature that it is unlikely that any commercial off-the-shelf software (COTS) solution will be available to exactly satisfy all the requirements for a software system. The requirements analysis process should identify which requirements are absolutely required and which others are somewhat flexible. During the evaluation, and possibly during implementation, tradeoffs will be necessary to compensate for functionality not available in COTS solutions. Decisions should be made during the requirements analysis activity to determine which functions can be subject to such tradeoffs and which cannot. If most or all of the software requirements are determined to be must haves, it is wise to revisit the decision to pursue a COTS-intensive solution (Minkiewicz, 2005). The questions that this COTS implementation case highlight are highly important especially in today's environment when the technology for many consumer facing systems are changing rapidly due to greater consumer expectations.

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APPENDIX

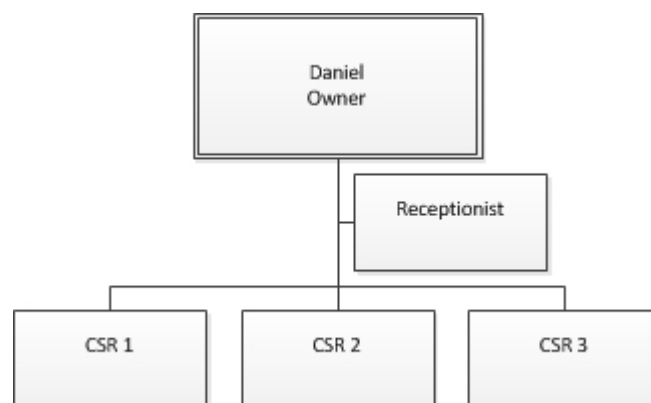


Figure 1: Organizational Chart of DEM Insurance

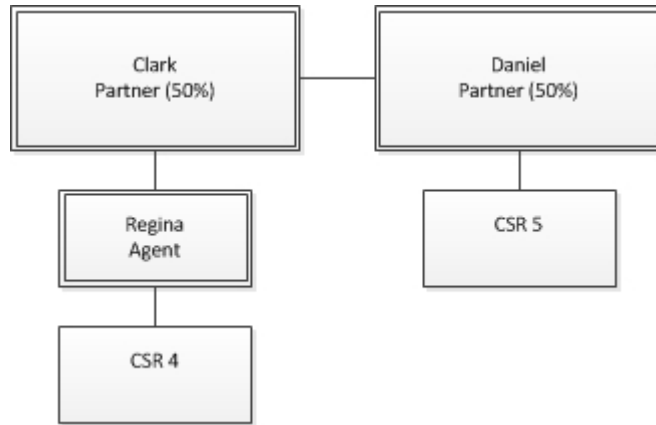


Figure 2: Organizational Chart of Rett Insurance Agency (RIA)



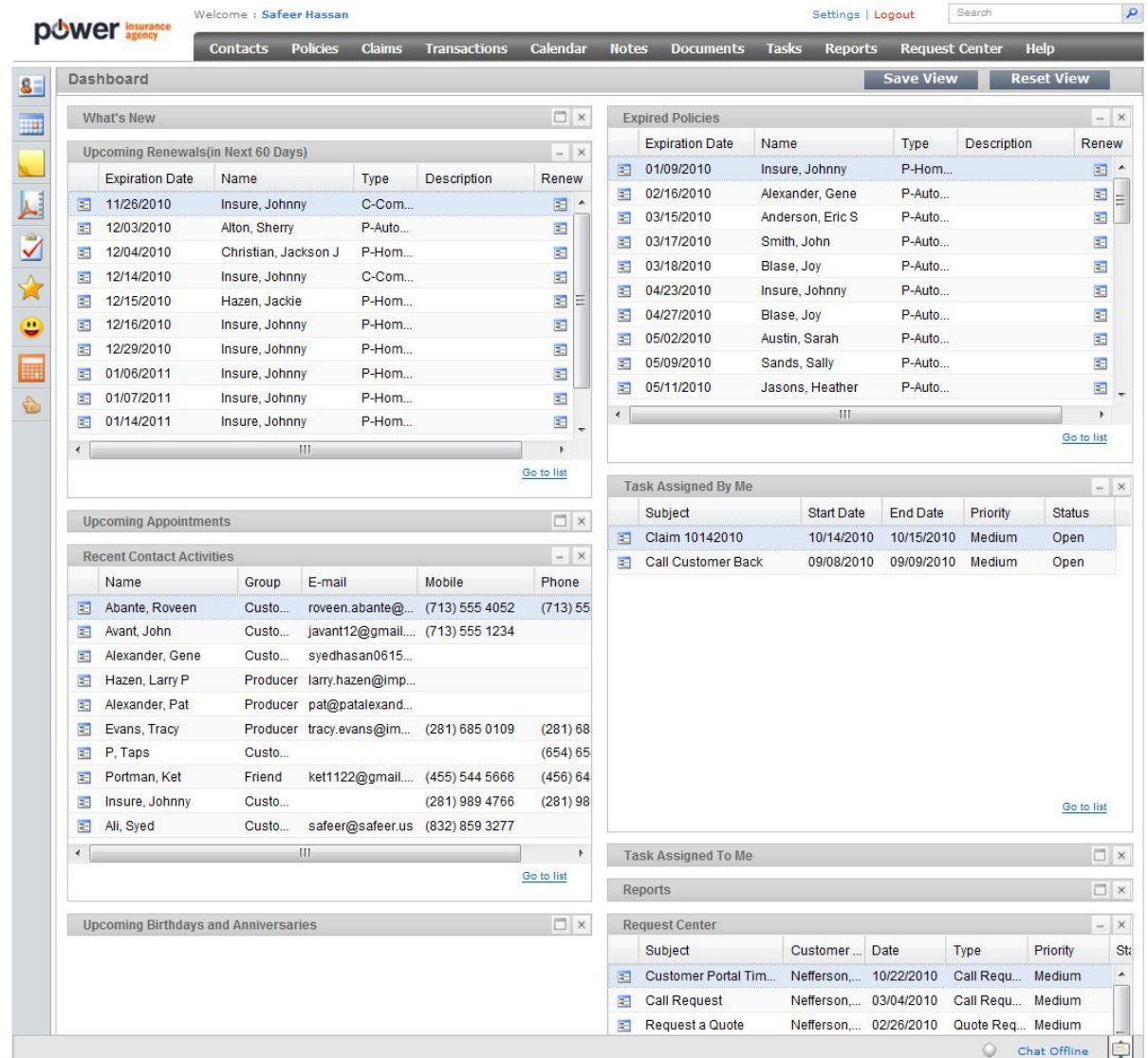


Figure 3: A Sample Dashboard Screen

Source: <http://www.impowersoft.com/aspire/aspireimagegallery.htm>