

Build vs. Buy

# Proprietary Premium

Affiliated FM relies on proprietary technology for competitive advantage, supporting business growth past the \$500 million mark in less than five years.

■ ■ ■ By Wendy Toth

**S**OMETIMES, if you want something done right, you have to do it yourself. Affiliated FM, a business unit of the FM Global Group (Johnston, R.I.), offers its products and services through a network of independent insurance brokers and relies on proprietary technology for the flexibility to adapt to the changing needs of brokers and clients, even though building technology in-house isn't the predominant industry strategy. The insurer, which specializes in midmarket commercial property insurance and loss-prevention expertise, more than quintupled its earned premium from \$94 million in 1999 to \$500 million in 2004, and its proprietary business management system is getting some of the credit.

"Our business management system is the cornerstone of our business delivery systems to brokers and policyholders,"

resources to do the things we would love to do with the system."

The first feature built into the system was an application that produces new-business and renewal proposals, and automates the steps that take the proposals to policies, explains Lebovitz, who credits the application with having the largest impact on the company's quickly following success. "Taking proposals to policy is a big piece of automation," he says. Thanks largely to the in-house-developed application, "We are typically able to deliver policy documentation within 10 days of proposal," Lebovitz adds.

## Against the Grain

Though Affiliated FM enjoys success with its proprietary system, insurers more often are successful with third-party technology solutions, according to Matt Josefowicz, a New York-based analyst with Celent Communications (Boston). "In general, we rec-

---

**"Our business management system is the cornerstone of our business delivery systems to brokers and policyholders," says Michael Lebovitz, Affiliated FM.**

---

explains Michael Lebovitz, vice president and manager of operations at Affiliated FM. "Even though we use an independent broker distribution model, we are customer focused. And having our own system allows us to invest in technology more efficiently, providing new products and services to our policyholders in a smaller time frame, with more value," he continues.

Affiliated FM's business management system was built in 1998 using Microsoft (Redmond, Wash.) Visual Basic 6.0, according to Lebovitz, who acknowledges that proprietary technology can be a challenge. But Lebovitz stresses that it also can provide a business advantage. "We do constantly have to reevaluate our platform based on changing technology, but the proprietary system allows us to focus on the needs of our customers," he says.

The insurer hosts several forums each year with its brokers to identify which features are most important to them and their clients. "As users go through renewal and new-business processes, they are constantly finding ways to improve the business system," Lebovitz relates. "The problem is finding the



ommend buy over build because software developers are able to do more than insurers as far as technological capabilities," he says. "Generally, a buy strategy reduces project risk to some degree. However, in a company with a tightly defined business process and strong IT group, it could be useful to build."

According to Affiliated FM's Josefowicz, a strong relationship between the business side and IT is critical to the success of IT projects. "It's important for the IT side to have close communication with the business side," he asserts.

Proprietary technology, though, offers an advantage to companies that are very specialized, Josefowicz relates. "Build versus buy is really a question of what the individual company's technology needs are," he says. "For a small company doing specialized business, building can be a good strategy." Though Affiliated FM operates in the midsize market, the level of underwriting is somewhat specialized, Lebovitz explains. "As far as underwriting goes, midmarket is at a different level of investigation that is not nearly as transactional as the large market, so we take more of a

customized approach to underwriting," he says.

When deciding on which technologies to build, Lebovitz adds, the company focuses on feeding its value proposition. "We rely on

properly along with underwriting more intelligently, and Affiliated FM's technology gives them an advantage for such an exacting process," asserts Richard Kerr, chairman and CEO of Dallas-based

## "Part of understanding the property market is engineering risk properly along with underwriting more intelligently," says Richard Kerr, MarketScout.

our system and the policy processing function to be customer focused, and we invest in technology that allows us to partner better with brokers and plug back into our value proposition," he says. Lebovitz explains that the insurer focuses on adding value in four key ways: acting as an insurance specialist and customized loss prevention solutions provider; creating an ease of doing business; delivering transactional speed; and providing prompt professional claims service.



MarketScout, an online distributor and underwriter of commercial P&C insurance that publishes a monthly online analysis of the insurance market.

But companies with proprietary technology must ensure that the resources to continue operating and developing specialized systems will be available, according to Celent's Josefowicz. "It is important that insurers with proprietary technology have a forward-looking IT group," he says. "Keeping future scalability and a future growth path in mind is key." ■

"Part of understanding the property market is engineering risk

### Marketing

## Lights, Camera, Action!

The Hartford sponsors documentary to encourage business partners' understanding of disability issues.

**I**N HOPES of encouraging the hiring and retention of people with disabilities and to raise awareness about the need for disability insurance, The Hartford Financial Services sponsored the New York and Los Angeles premieres and advanced screenings of the documentary "MURDERBALL." The Hartford (Hartford; \$22.7 billion in 2004 revenues) provides disability insurance through its underwriting companies Hartford Life and Accident Insurance Co., Hartford Life Insurance Co., and Hartford Life Group Insurance Co.

"MURDERBALL," released by THINKfilm on July 7 and winner of the Documentary Audience Award and a special Jury Prize for Editing at the 2005 Sundance Film Festival, is a documentary about the U.S. Quadraplegic Rugby Team's quest for gold at the 2004 Paralympic Games in Athens. Quadraplegic players compete in custom-made, armored wheelchairs in a specialized version of the full-contact sport, combining elements of hockey, basketball and football in what was originally called murderball.

"We are mainly reaching out to two audiences — one is with employers to continue a dialogue with them about people with disabilities leading active, productive lives and fostering an attitude that reflects getting recently disabled employees back to work and offering more reentry opportunities," says Dick Mucci, EVP and

director of The Hartford's group benefit division. "The second audience is producers and brokers — to help educate them about our philosophy, which is that people with disabilities are out there leading active, productive and meaningful lives, and that disability insurance is an important part of that," he continues. "This way, producers and brokers can carry our message to their clients so they can be effective ambassadors."



"MURDERBALL" shares "our vision to dispel misunderstandings and misperceptions of what it means to be disabled," says Dick Mucci, The Hartford.

The Hartford's ongoing support of elite athletes with disabilities began in 1993, when it partnered with a group of paralympic athletes and formed The Hartford's Team Ability. In 2003, The Hartford became founding corporate partner of U.S. Paralympics. But film gives The Hartford a new way to champion its message to a larger American audience.

The Hartford has linked its corporate Web site ([www.thehartford.com](http://www.thehartford.com)) to the movie's site ([www.murderballmovie.com](http://www.murderballmovie.com)). "The paralympic movement — one of world class athletes — and this film share our vision to dispel misunderstandings and misperceptions of what it means to be disabled," says Mucci. "The film, Web site links and sponsorships will help us apply our philosophy and better manage disability claims, working with our business partners to financially support and provide resources for people who are trying to get

back to their lives." ■ —Wendy Toth