

CASE STUDY - SAFEONLINE – UK PI PRODUCT

SCENARIO

To distribute a low value high volume UK Professional Indemnity product with limited resources.

SYNOPSIS

In the 2nd half of 2004 Safeonline were given the opportunity to distribute a Professional Indemnity product on behalf of an Insurance company that was mandated by the FSA for all motor traders selling warranty or insurance products from the 14th January 2005.

The major challenge faced by Safeonline was that as the coverage had a mandatory start date it would require a significant amount of sales effort with subsequent broker support and policy generation effort to generate and deal with the initial uptake during December 2004 and January 2005. The low product margins coupled with uncertain new product uptake levels and limited internal resources made it unviable to manually market and process this product.

Although Safeonline did not deal directly with the public their large broker network could place an unreasonably heavy burden on the firm as most of these brokers only had a few of these clients.

An online solution was the only feasible option that would address the internal resourcing and profitability issues raised as well as support the marketing effort.

SOLUTION

Coverpoint was engaged to create an online sales and distribution system for Safeonline's UK PI product. Coverpoint managed the total implementation process and hosted the online solution on their systems so that it would have a NIL impact on Safeonline's current IT resources.

As part of the feasibility process Coverpoint and Safeonline identified the significant cost benefits of moving this PI product online over a manual solution. The following cost savings are based on binding 2,500 policies per year with a broker salary of £ 35,000 per year plus 12.5% on costs.

PROCESSES	MANUAL Time Minutes	ONLINE Time Minutes	ONLINE TIME SAVINGS	ANNUAL COST SAVINGS
Quotation (25% conversion)	20	4	80%	£58,075
Referral Quote	20	10	50%	£1,815
Binding Costs	30	3	90%	£24,500
System Updates	15	0	100%	£13,611
Endorsements	30	6	80%	£1,089
Renewals	20% of original order time	2	92%	£21,343
TOTAL 1ST YEAR SAVINGS				£ 82,933

Under a manual solution the company would have required at least 2 additional full time staff members to prepare quotes, liaise with brokers, prepare policy documentation and support the product. In terms of responding to customers, the turnaround time for a bound policy could take at least 2 days. With an online solution the immediate benefit would be that no additional staff would be required as quotes and all bound policy documentation would be completed within minutes online. Safeonline required no additional IT resources or infrastructure as the online solution is fully maintained on Coverpoint's hosted system.

Under a manual system the product would have resulted in an annual Net loss of (£16,000) per year. The Coverpoint online solution was set to create a Net Profit for the product of £73,000 per year.

The Coverpoint solution was very flexible with a return on initial investment achieved after 4 months. After this time Coverpoint only charged a small transaction fee for each policy bound that created a low cost, low risk entry into the online sector with a potential high return.

Safeonline required the online solution to be in place within 2 months from engaging Coverpoint to take advantage of the FSA start dates for the coverage. Coverpoint outlined an aggressive implementation plan that it could meet as all of the necessary information required to take the product online had been prepared in advance by the Insurance company.

The PI product application form to be automated had been completely defined and the rating engine had been prepared using Excel so that all the variables required were also defined. Normally Coverpoint would progressively work

through this with key staff responsible for the product or scheme in the early stages of the project.

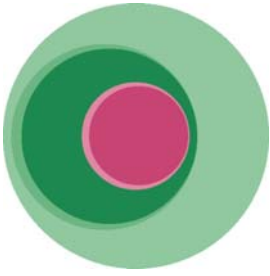
Coverpoint developed screen shots and branded the Coverpoint system to reflect Safeonline's image and branding while working closely with Safeonline to ensure all of their requirements had been fully implemented. Coverpoint also provided a flexible reporting tool for ad hoc inquiries and reporting that also covered Bordereau production. Harry Croydon; Coverpoint CEO indicated "clients can often underestimate the significant cost savings that proper reporting tools such as those in Coverpoint can provide. For instance generating Bordereau's in Coverpoint takes only minutes that would sometimes take several days of manual effort each month."

Coverpoint performed as much of the work as possible minimizing the interruptions to the day to day operations of Safeonline. However Safeonline were required to assist in performing user testing to ensure the system was fully operational before it was made live to their broker network. This testing also involved reviewing areas such as Agent help screens to ensure they could request new passwords online and obtain as much online information as possible before the Agent felt it was necessary to call a broker directly.

The system went into live operation without any interruptions within 2 months of the project start date. The system has now been operating live for over 2 years with new enhancements being added to facilitate promotions and other strategies to increase business.

The online UK PI product has been profitable from the first day of operation and requires no more than 2 broker hours per week to deal with agent queries or any other product matters that arise.

Coverpoint has allowed Safeonline to gain confidence in the low value high volume online market that has allowed them to grow their business steadily for this product. They have also increased business in other areas as their network of brokers has increased. Chris Cotterell, partner at Safeonline LLC stated that "Without Coverpoint we could not have created a highly profitable product in the online market"



CASE STUDY - SAFEONLINE – US PI PRODUCT

SCENARIO

To distribute a Professional Indemnity product in the US from a UK base with limited broker resources.

SYNOPSIS

Safeonline identified an opportunity to distribute Professional Indemnity coverage for technology based risks in the US. However they were faced with the difficulty of limited resources to develop the market, competition from other markets and time zone differences made it difficult to deal with US clients from the UK on a one to one basis.

Safeonline did not have the resources available to manually process all of the planned US business and needed to find an alternative solution.

A solution was required that allowed Safeonline to manage this book of business with a single UK broker resource and one US marketing resource to build the US business and act as a local liaison point for US agents. This could only succeed with a full online product solution that would allow instant quotations and bound policy documents to be issued quickly regardless of the time of day that would provide a competitive edge over local products.

SOLUTION

Coverpoint became involved with the development of the online US PI product.

As part of the initial consultation Coverpoint and Safeonline estimated the benefits that Safeonline could expect from an online solution for its US PI product binding 1,200 policies per year with a broker salary of £ 35,000 per year plus 12.5% on costs.

PROCESSES	MANUAL Time Minutes	ONLINE Time Minutes	ONLINE TIME SAVINGS	ANNUAL COST SAVINGS
Quotation (20% conversion)	60	12	80%	£104,535
Referral Quote	30	15	50%	£3,267
Binding Costs	60	6	90%	£23,520
System Updates	15	0	100%	£6,533
Endorsements	30	6	80%	£523
Renewals	20% of original order time	5	91%	£30,106
TOTAL 1st YEAR SAVINGS				£ 138,485

To process all paperwork manually, the time involved in preparing quotes in a highly competitive environment could take up to one day and to process all of the unsuccessful quotes for each deal closed requiring potentially up to 4 additional staff members to manually fully manage this book of business. However the online model would require only 1 dedicated broker resource in the UK to handle any referrals that were generated by the system. All quotations and policy documentation would be fully automated requiring no human intervention.

The Coverpoint solution would reduce Safeonline's product distribution costs by 68% and potentially increase product Net profit by £ 191,000 per year. Harry Croydon CEO of Coverpoint indicated "The right online solution can provide significantly more flexibility than was originally thought that will positively impact the business".

Safeonline's biggest challenge initially, was the approval of the wordings and the underwriter's approval of a binding authority for an automated online solution. Once this hurdle was overcome Coverpoint developed a detailed implementation plan covering each stage of the project to ensure the successful deployment of their US PI product.

The Coverpoint solution was very flexible with a return on initial investment achieved after 3 months. After this time Coverpoint only charged a small transaction fee for each policy bound that created a low cost, low risk entry into the online sector with a potential high return.

The first step was to create a Statement of Works document that detailed all of the requirements including the online Form and the functionality that was required by the rating engine. At this stage the Bordereau and reporting requirements were also defined.

Once the Statement of Works was completed the screen designs and Safeonline branding could be setup. It was important to ensure the feel and functionality of the product would meet the defined requirements.

Once the development of the code was finalized and Coverpoint system testing was completed Safeonline were requested to user test the product and sign off the project before it went live just under 4 months after the initial project was commenced.

Once the product went live the initial product uptake was slow but the product gained an early entrant advantage over its competitors and has grown its book of business significantly by no less than 25% per year over the last 4 years while increasing the number of producing agents by at least 10% per year. This growth has also facilitated the growth of business into other areas of the US market.

Coverpoint has established Safeonline as a credible online provider of Coverage in the US that has significantly increased both their online and offline sales. Safeonline have added an additional 3 online products without the need to increase their staff. Chris Cotterell of Safeonline LLC partner stated that "Coverpoint has allowed us to expand our business without increasing our staff. I am often excited in the mornings about the business we have bound online overnight while we have been sleeping".