

6 PILLARS OF WISDOM: 7 YEARS OF PROGRESS

Summary

General Insurance is an industry with a greying population, a focus on price instead of cover, devastating consequences of chronic underinsurance, and lack of understanding of insurance at all levels. LMI attempts to overcome all of that through professional assistance to all sectors of the industry – the insured, brokers, service providers, insurers, governments and industry bodies.

The initiative over the past 7 years has involved developing a number of knowledge products, alongside more traditional forms of industry education. During the period 2003 – 2010, the turnover of LMI has tripled, and knowledge products contribute approximately 60% of revenue.

LMI is a commercial organisation, and market success has been necessary for these initiatives to succeed, but full industry recognition was achieved in August 2010 when the Australian and New Zealand Institute of Insurance and Finance awarded LMI the Innovator of the Year Award - A mainstream industry award for knowledge management.

Authors



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Allan is the principal of the LMI Group, and a leading figure in Australasian Insurance.

He is the author of 5 books, and committed to improving standards in the General Insurance field.

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Background

Although we will be talking about a number of products, we highlight **LMI RiskCoach** as typical. It may be of benefit to refer to the virtual tour on our website which can be accessed through the following link:

<http://www.lmigroup.com/RiskCoach/Player.aspx?type=tour>.

“Even the greatest sports people use a coach.”

Rex Vaughan (2008)

LMI Group On-line Services

- **LMI PolicyComparison** – launched in 2003, over 250,000 comparisons are now done on the site each year. The site concentrates on detailing the differences in coverage between the products available in the market. Over 3,000 current insurance policies are being compared in most classes of general insurance. www.PolicyComparison.com
- **LMI BICalculator** - launched in 2007, the site allows the insurance adviser, insured or their accountant to calculate the current sum insured/declared value for the policy under which the cover is being arranged. The site has a comprehensive 'Knowledge Centre' which is free to the insuring public to assist them in understanding the cover afforded by this vital class of insurance. www.Bicalculator.com
- **LMI ContinuityCoach** - launched in 2008, this site allows an insured alone or with the assistance of their insurance adviser to build a comprehensive business continuity management plan. The information gathered is saved online and exercise scenarios are emailed out to subscribers at selected intervals. An insurance coach is the final step of the process designed to marry the insured's insurance program to their risk management program. In March 2010 a tailored version was launched for the Pharmacy Guild of Australia when they realised that they needed to keep the pharmacies of Australia open in the event of a pandemic. Over 5,000 pharmacies have established plans. The specialist site, approved by the Federal Government can be found at <http://www.continuitycoach.com/pharmacyplan/> The Pharmacy Guilds of New Zealand and the United Kingdom are currently reviewing the service for their members. www.ContinuityCoach.com
- **LMI RiskCoach** – launched in July 2009. A subscription-based knowledge management tool that assists insurance professionals to identify and understand the range of possible insurable risks for a client in any commercial industry is the subject of this submission. 5,000 users now subscribing to the site www.LMIGroup.com/RiskCoach
- **LMI PolicyCoach** launched in May 2010, provides an expert system and coaching on the development of a placing slip and policy schedule for an Industrial Special Risks Policy. Modules for other classes are currently under development. www.LMIGroup.com/PolicyCoach
- Most recently, users of the electronic services requested a mobile version of our services for use on iPhones and other mobile phones. Within 24 hours of the request, LMI Group had launched its first iPhone application, an under-insurance calculator which allows the insurance adviser to demonstrate the impact that under-insurance may have on a claim. LMI Group have applied for and been granted a developers licence with Apple, and other iPhone and applications for other mobile phones are currently being developed.
- In addition to these commercially available products, **LMI Claimscoach** operates internally as a progressing systems for Claims Preparation, Loss Adjusting and the other traditional business activities. This system provides raw data and lessons learned to the other applications.

LMI Group Knowledge Services

- **LMI** provides between 120 and 150 days of **in**-house industry training sessions each year
- In this period **LMI** has released the following book titles:
 - Business Interruption Insurance and Claims – now in 5th Edition
 - Understanding the Industrial Special Risks Policy – 3 vol
 - It will Never Happen to Me – based on Dr Allan Manning’s Doctoral Thesis
- Emergency Claims Support and Hot Lines
- Policy Drafting. Based on industry acceptance of LMI’s technical knowledge, Insurers now involve LMI in creating new policies. This is a unique and new market which emerged as a direct result of the knowledge products

Objectives

- “Disney Model” The Disney Model consists of a number of independent but related products bound together by a common branding of quality and expectation. LMI sought to replicate this across all of their knowledge products for General Insurance
- General Insurance is an industry with a greying population, a focus on price instead of cover, devastating consequences of chronic underinsurance, and lack of understanding of insurance at all levels. LMI attempts to overcome all of that through professional assistance to all sectors of the industry – the insured, brokers, service providers, insurers, governments and industry bodies.
- The delivery of this service expanded traditional methods such as training courses, consulting and direct technical assistance by introducing a series of subscription based web sites.

1. HOW WELL DID THE INITIATIVE ACHIEVE THE OBJECTIVE?

“There is first the literature of KNOWLEDGE, and secondly, the literature of POWER. The function of the first is -- to teach; the function of the second is -- to move.”

Thomas De Quincey (1821)

Concerned at the failure rate of businesses following a major loss, Dr Allan Manning commenced a doctoral research study in 1999. Dr Manning was not alone in his concern with the Insurance Council of Australia noting their alarm in their 2003 Annual Report.¹ Dr Manning’s research found, among other things that:

- 50% of the businesses that sustained a major loss failed within 12 months.
- 25% of those businesses that survived changed their insurance adviser after the loss claiming that the pre-loss risk management and insurance advice and or claims service was not satisfactory.

The failure rate has been confirmed by research conducted by McDonald & Redford (2008)² following the 2007 Pasha Storms in Newcastle where 1,160 people lost their job due to their employer going out of business as a direct result of the storm.

Some important feedback from interviews with Insured participants in the Manning Study included:

- Not one business owner thought it would happen to them.
- Brokers/insurance advisers needed to fully understand the risks associated with their client’s business.
- The risk identified needs to be explained and the method of dealing with the risk agreed with the Insured.
- The cover needs to be matched to the client’s needs.
- Claims need to be managed effectively.

The key drivers for the development were and remain:

- Reduce the level of under-insurance and non-insurance when losses occur, thereby reducing the number of business failures following a major insured loss.
- Improve the professionalism of the industry by providing insurance professionals with easy and quick access to knowledge on a wide range of occupations.

¹ Insurance Council of Australia, 2003, *2002-2003 Annual Review*, Insurance Council of Australian, Insurance Council of Australia, Sydney.

² McDonald R., Redford R, 2008, *Rising Waters: An Assessment of the Economic and Social Impacts of the 2007 June Long Weekend – Pasha Bulker Storm*, Hunter Valley Research Foundation, Newcastle.

- Ensure that potential areas of exposure for clients that could be otherwise overlooked and lead to significant losses and a damaged reputation for the insurance industry are considered and addressed.
- Assist busy/time-poor operations with support for their technical staff in answering the questions of junior staff.
- Alter the focus from the price of the insurance product, to the professionalism of the service provided.
- Reduce the number of professional indemnity claims against insurance advisers.

For LMI, this has resulted in significant new areas of business as noted in the summary. At the same time, the crossover to / from LMI's traditional business has been significant, with that area also showing excellent growth. One interesting feature has been the improved ability of LMI to attract high quality staff.

After Black Saturday, brokers appointed LMI to handle the vast majority of Business Insurance Claims in the whole of Victoria. Well over 100 losses. LMI also provided a free service to CFA volunteers to assist them with their personal claims which is a service outside LMI's normal scope of business, but which they were able to do using their own on-line knowledge based services such as LMI PolicyComparison.com

But the goals are industry-wide. The issues remain, and the only measure of the extent of LMI's success is the Industry assessment (see section 5 on Stakeholder acceptance). But by defining its goals in terms of the client, and the industry; the knowledge focus has remained; and the profitability has flowed from that approach.

2. HOW WAS THE KNOWLEDGE PROJECT IMPLEMENTED?

LMI Policycomparison

The design task was to represent the compared policies in a way which was quick and easy to understand. But at the start, and in every following product, the need to provide coaching, well beyond the traditional Help file on which buttons to use, was recognised and even the first implementation was rich in coaching content.

The operational task was to create a team of about 10 researchers to process the Insurer's policies into a consistent and standardised summary.

One major issue was that we underestimated the volatility of the policies. The introduction of the Australia Securities and Investment Corporation Financial Service Reform at the same time as we launched caused a complete re-release of all policies, at the same time as Insurers became more agile in changing offerings.

LMI BICalculator

The design task was to create the definitive calculator for Business Interruption loss. (How much profit did the business lose because of the fire? Etc) This is a complicated calculation. This system has extensive coaching, ultimately supported by Dr Allan Manning's book.

The major issue was that not all Insurers used the standard calculation in all policies, so we created the correct calculator for each policy – which solved a major headache for the users.

LMI ContinuityCoach

The design task was to create a system that a business owner could drive themselves. We started with the principles and guidelines of the British Business Continuity Institute, and guided by an Australian qualified consultant, created the question and answer set. Other unique features are that we built in continual exercises which go to the user to allow them to assess a number of scenarios; and an important output is supporting information which directly affects their next insurance renewal

LMI PolicyCoach

This is used on complex policies. For example the ISR policy consists of approximately 500 optional, sometimes dependant, sometimes mutually exclusive clauses, and we built an expert system to select the correct clauses (with full coaching including Dr Allan Manning's 3 volume book) based on an extensive Needs Analysis which we developed.

One important gain was that LMI has been engaged to draft many new clauses for specific purposes or specific insurers.

LMI RiskCoach

Although LMI Riskcoach has been compared to a wiki, it is much more extensive and subtle than that. All content is controlled and quality assured. It includes video and other media created by LMI Media – a department that was formed to handle the volume of media content we were accumulating.

One of the challenging design aspects is that this product will be used by a wider variety of people in the Insurance Industry, and many outside of the industry – so we have multiple user view considerations and a highly varying degree of assumed knowledge.

LMI ClaimsCoach

The design issues here were to handle the interfacing that was necessary to all the other systems, and to introduce job controls in a highly active area. Capturing Lessons Learned, CRM aspects etc were added to the standard issues of job progressing, status reporting and WIP control.

By way of explanation, just a few of the more technical elements of our knowledge management and innovation approach include:

- Metricated Enterprise Search introduced in 2003 and used extensively to give users a “one-stop shop” and LMI feedback on what is being searched and relative hit rates
- Extensive purpose built Content Management systems since 2003 meaning that all content is “active content” from a database – making it easy and quick to maintain
- Unique research to consolidate varying industry coding systems into ANZSIC code mappings. This is now used throughout the Industry
- Unique research and algorithms to calculate a moving average rate of Gross Profit for every industry. This is mandatory for calculations and LMI data is the “site of choice” for this information
- On-Line versions of the books which act to support the Help systems which are all driven by Content Management
- Support for existing training and education services by remodelling industry practitioners as ‘knowledge seekers’ who are able, and encouraged, to explore existing knowledge as needed, at their pace and to the required depth. This is based on Joe Firestone’s “Ecological Model” to balance the “Centralised “ training and education sessions
- The ability for practitioners to add comments for use by their colleagues or, alternatively, the entire industry, introducing a peer-to-peer relationship within the defined context of the industry and heading involved.
- When a claim in Claimscoach is first loaded – the estimates are automatically updated in Riskcoach, and then refined. When the industry is assigned, the list of internal and external experts in that industry is automatically displayed. There is no “opt-in” search for a person to help. LMI Media is immediately notified so that it can film the loss, or acquire TV station coverage
- LMI Group is one of the few organisations in the general insurance industry in Australia or New Zealand with a Chief Knowledge Officer, and a Knowledge Department (separate from IT)
- LMI Group has continually sought feedback and suggestions from the insurance market and as a direct result of this a number of fundamental structural changes that ultimately improved the design and usability of the products were made. For example, the User Feedback section of **LMI RiskCoach** encourages subscribers to nominate any industries they would like LMI Group to prioritise, which are researched and completed within ten business days.

3. WHAT IS THE ORGANISATIONAL IMPROVEMENT REALISED?

The raw figures on business growth speak to the commercial success of this initiative.

What is less evident is that the LMI professionals operating in the traditional areas of Claims Preparation and Loss Adjusting offer a superior service because they have full access, and full familiarity with these products. LMI has not had a Professional Indemnity claim in this period, and a significant reduction in complaints and queries. There is an increase in the positive feedback illustrated in section 5 on Stakeholder satisfaction

Once again, the target was to improve an industry, and so Stakeholder satisfaction remains the main assessment of success.

4. WHAT WERE THE RISKS AND CHALLENGES, AND HOW WERE THEY MANAGED?

a) KM Strategy

- a. There was no KM strategy separate from the Corporate Objectives. By definition they were one in the same. We were to create and sell knowledge. One interesting debate early on was the subject of providing links to other content and we took the view that people were wanting the LMI knowledge, so unless we interpreted the content, and / or added value – then the client should go straight to the link themselves.

b) KM Assistance

- a. LMI used Fry Systems as its primary “interpreter and guide” to things KM. This introduced a wide range of ideas and influences. Most of the KM practices to be adopted were implemented directly into the software initially, rather than as a retrofit project to introduce “KM Principles” There was no separation between KM and the software.

c) Trust

- a. This has always been a small team. This gives a close working relationship. The success has mitigated against too much dissention
- b. Trust between LMI and the Industry has always been extremely high. A great amount of effort was put into the professional approach of LMI in its traditional activities; which built a base for acceptance of new ideas
- c. Constant evangelism and acquiring feedback meant that the Industry knew what we were doing and vice versa

- d) The risk was always to get the Industry support to be prepared to pay a subscription in keeping with the value to them, and LMI's cost to build and operate
 - a. Extensive consultation with the user base concentrated not so much on price, but on the features that would justify their investment, and once we got the feature list right – the price was less important.
 - b. LMI used Agile development, Microsoft .NET and SQLServer to reduce the overall cost, to allow users a preview and trial as early as possible in the cycle, but most importantly to reduce the time to market. This was particularly true at the start with Policycomparison which had to be released to coincide with ASIC's FSR requiring brokers to justify their recommendations and advice. That was a 90 day product development. Other client requested changes had 48 hour development cycles.
 - c. Now that a significant library of modules exist, LMI can respond to market directions quickly and with surety.
- e) Rationalising the plethora of good ideas down to a set of achievable and sustainable goals
 - a. Controlled lists of suggestions and planned releases helped
 - b. An idea from a client automatically ranks higher than an internal idea.
 - c. Continuous Improvement and small development steps so that we can test the effect of one change before building a bigger structure based on that.
 - d. Not being frightened of the simple things. As an example, our Caselaw extracting service has a web site; but we take that content and add the industries applicable, and put a search engine over the extracts – so now our site is the “site of choice” for that content – even with that provider's own staff.
- f) Funding the project over the long term
 - a. LMI is a private company, and risk averse. The vast majority of these initiatives have been funded out of the income stream from the other products. This has caused some pressures.
- g) With so many features, we need to guide users.
 - a. This is being addressed through re-design, additional features and more intensive training particularly at lower levels in client organisations

5. WHAT IS THE EXTENT OF STAKEHOLDER SATISFACTION

These services are offered through paid subscriptions.

Significant current subscribers include Austbrokers, IBNA Limited, Insurance Advisernet Australia and New Zealand, Steadfast and other Broker groups and Underwriting agencies, the overwhelming majority of Insurance companies in Australia and New Zealand, Queensland Fire and Emergency Services, Deakin University, as well as many individual broker companies in Australia and New Zealand.

For example, the majority of users of **LMI Riskcoach** have committed to a minimum three-year subscription which allows LMI Group to continue to grow and market the product in both Australia and New Zealand and into Asia and the Pacific.

There are some exceptions. Essentially some overseas controlled companies have mandated internal systems; but LMI's products have a high majority industry coverage. In the "available" market (some of which LMI has created) it is approximately 80%

The ANZIIF award is formal industry recognition – for Innovation, and for Knowledge products. In addition, ANZIIF now grants 60% of the required annual CPD points to professionals who undertake the LMI on-line training courses embedded in the products.

In a recent Professional Indemnity case against a broker, an expert witness (not LMI) used the existence of Riskcoach and the quality of its content to support the argument that the broker should and could have been aware of the issues involved. We await the judge's comments with interest

The development of **LMI** products has been described by Nick Balcolme, partner with London based Harris Balcombe LLP, as "the most powerful, innovative and comprehensive set of research tools available anywhere in the world".

The following are typical of the feedback.

"I have been using RiskCoach in relation to one of my largest customers and I must say I have found this tool to be VERY useful... I will be recommending our staff use this program as a core reference point when arranging insurance covers."

Grant Cerni, Armbro Insurance Brokers, 10 December 2009

"Hi Stephen [LMI Queensland],

Well this outcome was due in no small part to your knowledge, diligence & assistance to this very valued Client, so I am extremely delighted with your appointment in this matter by the insurer. Many thanks."

Peter Millar Austbrokers Coast to Coast, 14 May 2010

LMI Group was gratified to receive the following note from Mr Chris Laming, lecturer on insurance and risk management at Deakin University, who recommended the university subscribe.

*"I have had a good look at **LMI RiskCoach** and am very impressed with the comprehensiveness and quality of the information contained within...you are to be congratulated on putting together a very useful tool."*

FUTURE INITIATIVES

Inevitably there is commercial confidence around these products but the following initiatives are active in 2010, apart from organic growth and continuous improvement of the current products.

- integration of LMI products as web services in most popular broker back office systems, and insurers mainstream systems
- trials of the use of semantic technologies to reduce workload, improve quality assurance over content, and allow more flexible responses to on-line courses
- more assistance to find the correct tool, including questioning the user on context
- the General Insurance industry throughout Asia is largely undeveloped with very few trained personnel, opening up an opportunity for LMI to repeat the Australasian success. South Africa also has infrastructure for Insurance, but there is a huge gap in Knowledge and enormous training needs.
- A version of LMI RiskCoach is currently under development for the wider community who do not wish to use the services of an insurance broker and it will include risk management and insurance advice for personal lines classes such as home & contents and domestic motor.