

Washington, DC | October 27-28, 2014

## EXECUTIVE SUMMARY.

The Council’s CIO Working Group met October 27-28, 2014, at The Council’s headquarters in Washington, D.C. The meeting was staffed by The Council’s Chris Gagnon and Nick Lozano. The group continued working through a variety of issues, including data, client-facing systems, carrier interaction, cloud services and mobile devices. Participants set out to talk about agency operations as it relates to technology and have some actionable intelligence moving forward. Nine first-time CIO participants joined the group for this day-and-a-half meeting, driving total active participation to more than 60. The group also welcomed one prospective member to the conversation. Presentations and Q&A sessions by representatives of both RiskMatch and Vertafore rounded out the agenda.

## PARTICIPATING FIRMS

Twenty-four (24) participants, representing the following Council member firms, were in attendance:

|                                 |                                   |                                       |
|---------------------------------|-----------------------------------|---------------------------------------|
| ABD Ins. and Financial Services | Cottingham & Butler, Inc.         | MHBT Inc.                             |
| AmWINS Group Inc.               | Equity Risk Partners, Inc.        | Murray Securus                        |
| Arlington/Roe & Co.             | Firstbrook, Cassie & Anderson Ltd | Oswald Companies                      |
| Ascension Insurance Inc.        | Hylant                            | Starkweather & Shepley Ins. Brokerage |
| Assurance Agency, Ltd.          | Keenan                            | TrueNorth Companies                   |
| BancorpSouth Ins. Svcs, Inc.    | McGohan Brabender                 | William Gallagher Assoc. Ins. Brokers |
| Corporate Synergies Group Inc.  | M3 Insurance Solutions, Inc.      |                                       |

## GROUP DISCUSSION: BRING YOUR CHALLENGES

The group had an open discussion on technology opportunities and challenges inherent to agency operations.

### OPERATIONAL ISSUES

#### Project Prioritization

This requires CIOs to change gears frequently to meet the demands of the business, often with limited resources. How are you managing this issue?

- Group agreed that it’s hard to prioritize
- Some are involved at the C-level in making decisions
- Others report to an executive committee
- Others perform cost-benefit analysis to determine what gets higher priority
- Don’t want to be viewed as the “No” person – this is part of the struggle to want to be responsive
- Should CIOs be the gatekeeper of ideas and then steer executive team to the right place?

#### Discussion result:

Take ownership, spearhead projects. Many CEOs see IT as a solution to problems but in reality it’s a tool - the problems are usually bigger than IT. Not enough time is spent planning, which is one of the reasons projects fail.

## Managing Users in Remote Locations

The group discussed some successful technology solutions that can assist supervisors with managing employees in remote offices.

- Remote workers are growing significantly
- What is the best way to provide a consistent working environment across both traditional and remote workers?
- Discussion around positives and negatives of products such as Microsoft Lync, BlueJeans, Citrix and VDI for audio, video and instant messaging.
- What are some other tools that agencies use to manage remote employees?
- The group discussed the need to consider remote workers as having fundamentally different needs which require a different way to manage them. One firm that relies heavily on remote workers suggested that remote workers need to be managed by leaders who also work remotely. Understanding the challenges of remote work is key to successful management.

## Cloud Services & Virtualization

Demographics make these decisions drastically different across firms, but many are moving away from “hardware churn” and the costs associated with it.

- Some participants use (and like) total cloud desktops such as Amazon Workspaces.
  - ▶ Eliminates footprint in the office
  - ▶ Positive feedback on pricing
  - ▶ Never have to buy another server
  - ▶ If you need more cloud space, you get it; if you need less, you adjust.
    - *Cost per month adjusts to what you're actually using*
    - *It's easy, seamless and automatic, with none of the hardware.*
- Word of caution: you have to negotiate minimums with Amazon (e.g., during holidays, make sure you have established a minimum bandwidth that they can't take from you).

## Getting a Handle on Data

With less than half of participants working on a data warehouse, the group discussed available software options (other than build-it-yourself types).

- Challenge is figuring out what your data model will be – is there one source of data truth, or multiple sources of data truth?
- Performance checks/data integrity dashboards
- Some firms mandate that the data is clean. Many have not spent much time cleaning data.
- Advantage of multiple sources of data is that you can pinpoint where there are errors and fix them
- Claims Data is a challenge for some
  - ▶ Determining your model and pulling it in makes it easier

### Predictive modeling

Predictive analytics are huge differentiators because they can zero in on things that others can't, but it's a challenging process.

- Some are taking baby steps, trying to determine which benchmarking models are useful.
- Others are doing targeted analytics (around health care) in-house.
- Some currently use Advisen
- Some currently use RiskMatch
- Some benchmark against their own clients (as opposed to using industry-wide benchmarks).

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## RISKMATCH

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RiskMatch is an analytics firm that provides portfolio management and insurance placement solutions with evaluative metrics and analytics. Kabir Syed, founder and CEO, and Adam Kagan, chief marketing officer, presented to the group about the data challenges facing the brokerage industry. As business leaders demand more with less, CIOs must respond. And as clients get smarter and more savvy, so too, must the industry.

### Key Points

- Relationships will be enhanced or weakened based on metrics.
  - ▶ Local will become national (not vice versa)
- The practice of “everything in-house” will migrate to select partnerships.
- It’s difficult to translate data consistently on an ongoing basis.
- Need to utilize the data upfront to drive insight and get value out of data.
- Data is going to continue to elevate and evolve.
- Give data analytics intelligence where it is needed during the process
  - ▶ On the front-end: Brokers are trying to bill their clients
  - ▶ On the back-end/AMS: Challenging data
- Start Asking:
  - ▶ What are the solutions?
  - ▶ How do we get from having the data to actually doing the analytics on it?
  - ▶ How are you different from other agencies?
    - *It all comes down to relationships.*
    - *Data doesn’t change the relationship – it just enhances it.*

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## GOVERNMENT AFFAIRS UPDATE

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### Industry Implications of the Midterm Elections

Joel Wood and Joel Kopperud of The Council’s government affairs staff provided colorful analysis of the midterm elections and what certain scenarios may mean for our industry. Topics included TRIA, NARAB and the ACA.

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## FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA)

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Chris Gagnon updated the group on The Council’s FATCA Portal, which was designed to assist members in collecting and reviewing the requisite IRS form for every transaction to confirm that the carriers they do business with are either FATCA compliant or FATCA exempt. This includes both domestic and foreign carriers as well as any foreign intermediaries, and brokers must be FATCA compliant by January 1.

The goal of FATCA is to prevent tax evasion by pressuring foreign financial institutions into reporting foreign financial accounts and assets owned by US persons to IRS.

### Key Points

#### FATCA regulations require brokers to:

- Collect IRS forms
  - ▶ To verify foreign carrier FATCA status: **IRS Form W-8BEN-E**
  - ▶ To verify foreign intermediary FATCA status: **IRS Form W-8IMY**
  - ▶ To verify domestic carrier FATCA status: **IRS Form W-9**
- Screen the forms for accuracy
  - ▶ The screening criteria are complex.
  - ▶ Simply downloading a FATCA compliance form from a carrier or intermediary **does not** satisfy FATCA regulations.
- Track any changes to the forms and be able to provide an audit trail of these activities.
  - ▶ For every carrier and intermediary.
  - ▶ For all premiums placed, both domestic and foreign.
  - ▶ Prior to sending any premium.

## Key Points (cont.)

### The Council's FATCA Portal ([www.w8bene.com](http://www.w8bene.com)):

- Provides a single repository of FATCA compliance forms.
- Performs pre-screening of forms.
- Automatically tracks changes to forms.
- Provides reporting functionality that provides a paper-trail for audit purposes.

### Carriers can:

- Upload one and only one compliance form.
- Update their form at any time.
- When a form is updated the portal automatically notifies relevant brokers of the change. The carrier does not need to do anything else.

### Brokers can:

- Search and download forms for any carrier on the system.
- If a broker downloads a form which is then updated by the carrier the portal will notify the broker of the change.
- Run a report showing when forms were accessed including the form version.

### The Challenge

- The FATCA regulations place the entire burden of FATCA compliance on the brokers; carriers have no obligation to do anything under FATCA.
- W8BENE.COM is a participatory system. Carriers must participate for their forms to be included.
- To date carrier participation in the W8BENE.COM portal is low.
  - ▶ Many carriers are simply uploading their forms to their corporate website for brokers to download.

### The Risk to Brokers

- Without the portal there is no notification system in place if the carrier updates the form.
- Some brokers are choosing to simply download the carrier forms in bulk every three years. **This does not satisfy the IRS regulations.**

### W8BENE.com Version 2

- Brokers who are also intermediaries will be able to upload their W-8IMY form.
- Domestic carriers will see a revised interface that more accurately represents their domestic status and need for the W-9 form.
- The site will likely be rebranded to more accurately reflect the need for the three different FATCA compliance forms.
- Expected Delivery: Q1 2015

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## VENDOR VISION Q&A: THEO BEACK, VERTAFORE

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Theo Beack, senior vice president of engineering and operations at Vertafore, presented his vision of insurance technology and Vertafore's journey to rethink its platform and access to data. Vertafore is one of the largest insurance technology providers in the world and supplies systems that touch both brokers and carriers. With agreement that agency systems are antiquated and the customer experience is not cohesive or friendly, the group discussed ways to work more effectively in the agency vendor space. The group provided candid feedback on what brokerages need and want.

## Key Points

- This is a complicated process that requires long-term commitment
- Because there are so many moving parts and interconnected information, it's important to have visibility and proactive monitoring
- Discussion on Vertafore's approach to API (Application Programming Interface)
  - ▶ Historically the process of connecting third party tools to the agency management system has been difficult. When the core systems were developed nobody considered that agencies would need other software tools.
  - ▶ Vertafore has been building a common set of APIs; basically connector points that can be used to more easily integrate non-Vertafore systems.
- Discussion on data analytics and reporting, and what Vertafore teams are currently undertaking to extract data, make it available for analysis and make the platform more secure (data does not leave the U.S.)
  - ▶ Vertafore has been working on a unified reporting engine across its different software platforms, and is committed to providing better reporting than has been historically available.
- Participants talked through challenges of some of the Vertafore products and strongly suggested more customization.
- Most immediate need is access to data and visualization analytics.
- Modern tools for our industry ride on the back of innovation from other industries.

## DELIVERABLES & NEXT STEPS

- Basecamp has been identified as the platform working group participants can use to continue discussions and to house policy templates. The Council has delivered Basecamp invites to all CIO Working Group members.
- Bring Your Challenges: Participants want regular interaction
  - ▶ Gagnon proposed this as a quarterly call
  - ▶ Discussions will also occur on Basecamp
- One participant suggested breaking into smaller groups during the next meeting in order to tackle some of the items on the challenges document, and then report back to larger group.

### See you in February!

The next CIO Working Group will be held in Washington, D.C., February 9-10, 2015, in conjunction with The Council's Legislative Summit. Until then, stay in touch with Chris Gagnon at [christopher.gagnon@ciab.com](mailto:christopher.gagnon@ciab.com) and let us know which topics you'd like to discuss.

**SHARE IT!:** We encourage you to use this document as a reference tool and to share with your executive management and others in your firm who could benefit from this information.

## ABOUT THE WORKING GROUPS.

Part of The Council's membership offerings, the CIO Working Group is one of five working groups (CFO, HR in Insurance, International and Legal Counsel) open to employees of Council member firms. These working groups provide opportunities for peer-to-peer dialogue on relevant topics and to connect with others who face similar issues and challenges. For more information, or to join, contact The Council's Julia Smith at [julia.smith@ciab.com](mailto:julia.smith@ciab.com).