

Global Insurance And Financial Services Company Optimizes Procurement Processes With Selectica Contract Management Solution

Like companies in many industries, insurance firms are built on trust. If an insurer is perceived as having breached that trust in any way, the tangible impacts will be immediate and severe, manifesting themselves in a profound loss of business. A range of federal and state regulations now exist to compel companies to avoid such unhappy consequences, but even more important in meeting this objective are the efforts individual companies make to regulate themselves. In fact, an argument can be made that self-regulation was actually a benefit of the glut of federal regulations that accompanied the turn of this century.

Some companies take self-regulation so seriously that they perform random and unscheduled process audits in individual departments just to make sure that industry, corporate, and legal responsibilities are consistently being met in the most efficient manner possible. At one company, a random audit of procurement contract processes, for instance, revealed several areas where improvements could be made. The audit determined that some contracts did not contain the language required for compliance with federal and/or state mandates. In addition, there was concern that the information necessary for proper management of vendor contracts--and for satisfying the needs of the senior executives within the organization--was not readily available.

The Solution

The company reacted swiftly to remedy these issues, beginning by creating a new internal organization. Independent of both procurement and legal departments, this provider governance department became responsible for the entire lifecycle of buy-side contracts--from the point where a business need for vendor support is originally identified, right through to negotiation, contract signing, renewal, and ongoing reporting.

The provider governance department began executing on its charter by evaluating existing practices and creating a list of data points that are essential for tracking compliance with best business practices as well as regulatory mandates. The plan was to manually extract these 140 or so data points from each in-force contract--and from new contracts at the point of execution--and use them as indexing parameters to obtain the information required to respond to audit questions, executive requests, and day-to-day management issues associated with vendor compliance.

Only after these steps were completed, and a complete understanding of business requirements was achieved, did the organization set about seeking a best-of-breed contract management solution. A thorough market search and product evaluation led the insurer to choose Selectica CPM.

Optimizes Business Processes By Finding Information Fast

The Selectica contract management solution is currently being utilized by six users in the provider governance organization, and plans call for extending access to a user base of 100, including owners of the business relationships governed by contracts, relationship managers, contract approvers, law department members, and key executives. Once implemented for these individuals, the insurer projects a complete ROI in 12 to 18 months, primarily as a result of streamlined information access.

Information access was the key driver behind the contract management solution purchase because without a flexible, searchable electronic repository, management and audit requests for information were both manual and time-intensive. To get contracts into the repository the 140 data points are extracted for each contract and entered into the Selectica solution as metadata. In addition, to ensure that the contents of each contract are searchable, the insurer relies on an electronic faxing/OCR feature in the Selectica solution. By simply faxing the contracts into the repository, they are stored as attachments to the appropriate contract record and are easily searchable and accessible.



Summary

- Industry: Insurance
- Solution: Selectica Contract Performance Management
- Business Need: Streamline procurement contracting processes and improve access to contract-based information
- Benefits: Cut reporting creation time to 15 minutes from 2.5 hours, improved information access and contract clause modification to facilitate regulatory compliance
- ROI: 12 to 18 months

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The utility of making contract data available this way is underscored by an actual situation that occurred before the Selectica solution was implemented. In this situation, the director of the provider governance organization was asked to determine if there was a risk that an increase in the consumer pricing index would expose the company to added costs associated with contracts that included fee escalation clauses. With 17,500 contract images to review, it would have been virtually impossible to obtain the information in a reasonable time frame, so the director was forced to narrow the parameters of the search. By restricting the report to contracts valued at over \$200,000 per year, he was able to complete the report in about 2.5 weeks. But with Selectica now implemented, he says that the same report could be created in about fifteen minutes.

Similarly, before Selectica was implemented, the insurer had no easy way of determining when contracts needed to be renewed, other than by a laborious manual process. This presented a problem because when contracts with negotiated renewal options were allowed to expire, and new contracts had to be negotiated to extend the relationship, negotiating leverage was lost and terms were not always as favorable. But now, with Selectica, a simple report can be generated, at a user-defined interval, to quickly identify contracts up for renewal. It is also possible to use the Selectica Rules Composer to set up automated emails to notify the business owner that they are approaching an extension decision point. The interval currently being evaluated by the provider governance organization is a six month look-ahead.

Visibility into vendor relationships will also enable the insurer to achieve efficiencies of scale, eliminating the once common practice of purchasing similar products and/or services from multiple vendors. Now that a Selectica report is available that quickly highlights overlapping purchases, the insurer has the opportunity to consolidate them with the vendor offering the best terms.

Facilitates Compliance

Another important benefit of the insurer's contract compliance solution is the ability to effectively manage regulatory changes within their contractual relationships. Last year, for example, several states added new requirements to Graham Leach Bliley regulations that forced the insurer to identify which of their vendor relationships were impacted by these changes. A quick report from Selectica across the entire repository identified the contracts that were impacted by the change.

To modify the contract repository to reflect the regulatory change, the insurer made use of a Selectica feature called "Data Composer" that enables contract metadata fields to be added to existing contract records. As a result, the insurer did not incur additional programming costs to enable a re-structure the entire contract repository, as they might have with other contract management solutions.

"Our goal," says the director of the provider governance organization, "is to optimize the business benefits of buy-side contracts while also minimizing the risks associated with these relationships. The Selectica contract management solution enhances our ability to meet these objectives. At the same time, the solution includes functionality that we have not yet tapped, so we are confident that the benefits of contract management, while already significant, will only become more so in the future."