



# FEMA NATIONAL FLOOD INSURANCE PROGRAM

## OPTIMIZING PERFORMANCE THROUGH BETTER INFORMATION MANAGEMENT

### QUICK FACTS

#### Industry

Public sector – private partnership, public security

#### Value

US\$3.034 trillion written premiums

#### Stakeholders

5.6 million policyholders; 10,000 federal, state, local, and private industry users

#### Headquarters

Washington, D.C.

#### Web Site

www.fema.gov

#### SAP® Solutions and Services

SAP® BusinessObjects™ XI 3.0 solutions, Crystal Reports® software, SAP BusinessObjects Web Intelligence® software, SAP BusinessObjects Dashboard Builder software, SAP BusinessObjects Data Quality Management software

#### Implementation Partner

Optimal Solutions and Technologies Inc.

#### Key Challenges

- Manage 5.6 million insurance policies, the largest single line of insurance in the world
- Comply with extensive government standards
- Provide timely and accurate underwriting and rating guidance to private insurance industry partners and public floodplain managers
- Accelerate claims processing and adjudication
- Promptly collect and validate policy and claim data
- Eliminate dependency on aging legacy system

#### Implementation Best Practices

- Engaged Capability Maturity Model Integration (CMMI) level 3 contractor
- Employed CMMI project management methodology
- Adhered closely to change management best practices
- Began with 1 year of working with all stakeholders to thoroughly understand processes

#### Financial and Strategic Benefits

- Reduced incidence of repetitive loss
- Increased speed and accuracy of processing claims and making quotes
- Enabled premium calculations to be based on actual claims data
- Empowered field personnel to quickly learn the status of individual claims
- Kept insurers' claim error rate under 2% and policy error rate under 5%
- Increased data accuracy
- Implemented near-real-time processing to correct addresses

#### Why SAP Was Selected

- Ease of accessing, using, manipulating, and generating reports
- Best look and feel
- Absence of restrictions and prerequisites
- Alignment with best practices
- Reputation for quality customer service
- Scalability, flexibility, and overall architecture of applications
- Standard software within the Department of Homeland Security

#### Low Total Cost of Ownership

- Fulfilled project goals with a small fraction of the project resources that large system integrators would have expended
- Reduced number of FTEs in IT dedicated to report generation by 50%
- Replaced manual research with automated data verification and matching
- Reduced cost of performing report analysis in IT by 73%
- Eliminated need for legacy system

#### Operational Benefits

Key Performance Indicator	Impact
Postage costs due to less returned mail	-5% to -10%
Labor costs due to less returned mail	-5% to -10%
End-user data analysis costs	-50%
Special report fulfillment time	-80%
Number of data sources	-75%
Number of application users	+100%
Need for specialized reports	-50%

To better manage its National Flood Insurance Program, the Federal Emergency Management Agency (FEMA) needed better access to information about its policyholders and the claims they make. With SAP® software, FEMA has greatly improved the delivery of information to decision makers, saved substantial costs, and improved service to the public.

“For the first time we can get information presented in all the ways we need it – for reports, answering the public’s questions, developing documentation, and so forth – which lets us do our jobs better.”

**Jack Way**, Senior IT Manager, National Flood Insurance Program, Federal Emergency Management Agency

The Federal Emergency Management Agency (FEMA) provides a range of programs for reducing losses to homes and other facilities due to floods and other natural disasters. Among these programs is the National Flood Insurance Program, which subsidizes flood insurance for property owners in exchange for following a set of regulations for reducing flood losses.

FEMA processes claims against insurance policies it has underwritten, verifies their accuracy and legitimacy, and then works with insurance companies to make proper payment. When these insurers receive a policy claim, they submit it to FEMA, which begins by looking up policy information and matching it against the claim to verify authenticity and accuracy. In the past this process was much too slow – a major reason why FEMA was unable to keep up with flood insurance claims when hurricane Katrina struck in 2005 – but by then FEMA had already identified ways to greatly speed up claims processing and was two years into a program to implement them.

### FEMA Adopts SAP® BusinessObjects™ Software, a DHS Standard

The program began with the selection of a new business intelligence application. After analyzing several options, the agency chose SAP® BusinessObjects™ software because of the ease with which users can access and manipulate data and generate reports. Other systems were overly restrictive and required

expensive prerequisites. This choice resonated well with the agency’s parent, the Department of Homeland Security (DHS), which had already made SAP BusinessObjects software a standard.

A similar modernization effort in the 1990s had failed, and so FEMA was careful to employ best practices to make this one a success. FEMA started by working with its stakeholders to develop a clear understanding all business processes involved. Then it chose a specialist integration partner, Optimal Solutions and Technologies Inc., which in the agency’s estimation completed the project for far less than a large integrator would have charged.

### Better Customer Service Tops Long List of Benefits

In 2008 FEMA went live with its new solution and revitalized business processes for using it. FEMA has seen profound benefits even during the initial transition period. With a common data format, users at FEMA and the insurance companies can now validate claims by using SAP BusinessObjects Data Quality Management software to match them with policyholder addresses dramatically faster than before. This application is on track to interface with ESRI geographic information system (GIS) software to help verify the legitimacy of claims by matching addresses with floodplain areas, greatly reducing the incidence of repetitive loss due to improper matching. Reports that used to take a week are now delivered in a day. Users can look up reports more easily, and their information is more useful, reducing the need

for specialized reports. With better data to work with, FEMA is also doing a better job of computing proper rates for insurance premiums.

While cutting costs was a secondary motive for the project, FEMA is saving considerably on several fronts. In IT alone, the agency is saving nearly US\$1.6 million annually because fewer people are needed to produce and analyze reports. Improvements in the quality of address data mean less returned mail, for annual savings of \$275,000 in postage and \$200,000 in labor. The project also helped the insurance company partners save labor costs as well – nearly \$1 million annually in total.

In short, the move to SAP BusinessObjects software and improved business processes has been a big win for all involved – the agency itself, the insurance companies, the American taxpayer, and most of all the victims of nature’s devastations who count on FEMA’s help at the most trying times of their lives.

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