Technology

By
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New IT Thinking Brings Relevancy

Information technology will need to innovate in several business areas for an impact to be felt enterprisewide.

The pendulum has swung far back from IT being given carte blanche budgets.

This year's MIT CIO Symposium included sessions on innovation in information technology. The Outsourcing Institute, a global professional organization, recently cited a "common and growing frustration among outsourcing buyers." This frustration was due to the "lack of innovation brought to the table from their outsourcing service provider."

Why the recent scrutiny on innovation and why the frustration with IT, including service providers, in bringing forth innovation to the business?

In a nutshell, there has been a continued emergence of innovative technologies and a continued evolution towards greater flexibility and reduced cost/commitment in their use.

In contrast to this forward progress of technology, the pendulum has swung back from IT's having a more strategic role in the corporate hierarchy and in being given carte blanche budgets.

Despite this greater spending scrutiny, IT has been asked to provide leadership in emergent and increasingly important areas such as records management and compliance. While critical to business operations, these areas of additional responsibility aren't those that will help drive business innovation.

To realign itself as a driver of business strategy, IT will itself need to become an innovate entity.

Some carriers have resources and appetite for $100 million IT initiatives in strategic areas such as policy administration systems and master data management. But more carriers find themselves paralyzed by the lack of immediate return for such large expenditures.

This is where IT's need to "integrate to innovate" becomes most evident, where they need to innovate strategically for enterprisewide impact.

When neither a huge budget nor a short-term return on investment for policy administration system replacement exists, carriers can innovate using best-of-breed solutions. Paying on a per-policy basis, "cloud-based" systems can be used to test complex policy migration. The role of innovative IT then becomes one of capturing and planning integration requirements for related systems processes.

For data innovation, master data management projects can be started with a small business unit such as distribution, where the biggest ROI in consistent data can be realized. Options such as reference hubs or cloud services can quickly be defined and piloted with the business unit. Rather than being in a build/operate mode, an innovative IT department will define the solution, manage the pilot and plan for current and future integration requirements to support required data access and currency.

In re-establishing themselves as business strategy enablers, insurance IT departments will need to create their own innovation culture. Those that build upon their experience, expertise and vision to gain the business' support and confidence will be the same who integrate; those who "meld with and become part of the dominant culture." BR

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TECHNOLOGY GUIDE 2011

Here's a sampling of companies that help insurers keep up with the latest technology products, services and innovations.

AQS Inc.
1325 Walnut Ridge Drive
Hartland, WI 53029
aqssys.com

CSC (Computer Science Corp.)
3170 Fairview Park Drive
Falls Church, VA 22042
csc.com

EXLservice
280 Park Ave., 38th Floor
New York, NY 10022
exlservice.com

First Best Systems
213 Burlington Road
Bedford, MA 01730
firstbest.com

Identity Theft 911
4150 N. Drinkwater Blvd., Suite 210
Scottsdale, AZ 85251
identitytheft911.com

IDS Research & Development Inc.
409 Cedar Lane
Teaneck NJ 07666
alarmexpert.com

Insurance Services Office
545 Washington Blvd.
Jersey City, NJ 07310
iso.com

Optical Image Technology Inc.
100 Oakwood Ave., Suite 700
State College, PA 16803
docfinity.com

Quadrant Information Services Inc.
770 Trademark Dr., Suite 100
Reno, NV 89521
quadinfo.com

Verizon Wireless
One Verizon Way, #VC625435
Basking Ridge, NJ 07920
verizonwireless.com

Vertafore Inc.
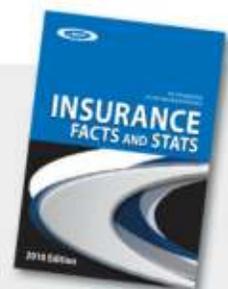11724 N.E. 195th St.
Bothell, WA 98011
vertafore.com

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INDUSTRY SNAPSHOT
A quick glimpse at the insurance industry.

INSURANCE FACTS AND STATS
2010 Edition

Asset Distribution

THE "FLOAT" CYCLE: The interval between when the insurer receives a premium and the time a claim against that policy must be paid. During the cycle, the insurer invests the premium, making a profit or loss depending on how the investment performs.

Property/Casualty
($ Billions)

- Preferred Stocks: $17.5
- Real Estate, Offices: $9.3
- Real Estate, Investment: $1.4
- Other Nonaffiliated Invested Assets: $50.9
- Investments in Affiliates: $86.5
- Cash & Short-Term Investments: $92.3
- Common Stocks: $149.4
- Bonds: $895.6

Note: Totals may not add up due to rounding.
Source: Best's Aggregates & Averages

Total (2009): $1.30 Trillion

Life/Health
($ Billions)

- Contract Loans: $122.6
- Cash & Short-Term Investments: $123.4
- Other Assets: $287.9
- Mortgage Loans: $324.9
- Total Common Stocks: $65.8
- Real Estate: $19.6
- Total Preferred Stocks: $11.9
- Total Bonds: $2,345.9
- Separate Accounts: $1,634.4

Total (2009): $4.93 Trillion

Explore today's insurance business environment through A.M. Best's extensive line of information products highlighted in **Insurance Facts and Stats 2010 Edition**. This handy reference focuses on the many lines of business within the property/casualty, life, health and reinsurance industries, with rankings of top writers. To order copies and see the entire A.M. Best's Guide series, visit *www.insurancebookstore.com* or *www.amazon.com*.