

Managing Insurance Business Demands While Controlling IT Budgets in Extraordinary Times - Steve Addair, Discoverture

During these dynamic economic times, many Property & Casualty business partners are adjusting to shifting markets and thus demanding even more services from their IT departments. However, IT budgets are not able to keep pace with the increased demand. This article discusses how IT leaders can implement key strategies to provide for these evolving business needs while controlling expenditures.

As insurance products continue to become more commoditized, IT departments are pushed to provide features that can create competitive market differentiation. Property & Casualty companies now require more frequent rate changes, new product line rollouts, varied product distribution channels, agent and consumer web portals, and other creative IT initiatives without a commensurate increase in their budget.

In many cases, operational IT budgets are shrinking to offset the poor performing investment portfolios and the deteriorating loss ratios resulting from a prolonged soft market. Clearly, CIO's must find areas of operational efficiencies in their existing systems while investing their limited capital budgets into new technologies that will ultimately reduce labor costs. Such savings are often realized by delivering real-time and automated point-of-sale underwriting, binding, policy processing, and consumer self-service.

Let's discuss the three top strategies the CIO should consider: Technology Capital Investment, IT Services Vendor Selection and Project Portfolio Management.

Technology Capital Investment

A properly positioned capital investment strategy is the key to delivering on the varied business initiatives that IT must support. Certainly adopting rapid application development tools and COTS business solutions to reduce implementation costs and time-to-market make sense. However, careful and methodical selection of these technologies is critical to avoid project failures due to an improper fit for the technology to the business needs.

Whether the technology investment strategy is a retrofit of existing systems, a new best-of-breed environment, a fully integrated solution, or a combination of all three, it is imperative that proper due diligence precedes the selection to ensure a proper fit. Usually, a proof-of-concept can be explored inside four weeks that will expose a product's hype and reality for the intended purposes. Also, get at least three references from similar customers, tour the vendor's facilities if possible, and meet the staff. In some cases, a review of the financial status is in order. Steer clear of the numerous product vendors that have weak financials, few successful installations, or are more interested in selling implementation services than technology licenses.

IT Services Vendor Selection

Selecting a quality IT Services vendor is also a key to implementing any new technology on time while correctly allocating internal resources to the proper initiatives. For most organizations, attempting to do everything with in-house resources is not only difficult, but also creates complexity in differentiating between

operational and capital expenditures. CEO's want to see lower operational costs while verifying that capital investments are paying off. Proper selection and utilization of IT Service vendors will allow expedient implementation of new technologies while also easily tracking operational vs. capital costs.

The selection of IT Services vendors should focus on candidates that already know or focus exclusively on the insurance business, provide high-end analysis services for requirements gathering assistance, implement end-to-end projects under varying contractual arrangements, have developed in-house centers of excellence for technology competencies, maintain global resource delivery capabilities, and are recognized as successful partners to other insurance companies & vendors. Partnership with the right IT Services vendor is a significant key to success.

IT Services vendors can be leveraged either for existing system maintenance or for new project initiatives. Select vendors that can operate under various project management or process conditions and are willing to invest in a long-term relationship. Short term engagements may meet immediate business goals, but maximizing the return on investment is best achieved with a matured relationship.

Project Portfolio Management

Finally, efficient IT spend requires attention to Project Portfolio Management. This entails a holistic approach to the management, coordination, and organization of the various operational and capital projects within IT. It is an important aspect of success and is often overlooked within dynamic IT shops.

It is not unusual for vendor augmentation staff to work with internal resources on operational and capital projects simultaneously. This often blurs the distinction between new and maintenance projects. Under these circumstances, it is more difficult, but not impossible, to produce meaningful data to business sponsors that proves real progress in reducing maintenance expenses while successfully rolling out new technologies. Without solid Project Portfolio Management, the business sponsors often perceive an increasing IT budget without results.

By leveraging Capital Technology Investments with a quality IT Services Vendor partner while actively managing the capital and operational projects within a solid Project Portfolio Management process, IT can show solid operational efficiencies with incremental technology improvements. This combination will ultimately drive enterprise-wide labor costs down and increase product differentiation while improving customer satisfaction and retention. All without busting the budget!