Swerve

Business Case – Assignment 3 – Project: digitalCOI

The Team

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Background Summary

Problem & Opportunity

70% of all commercial property tenants are not compliant with their insurance requirements. Commercial tenants must annually produce a certificate of insurance (COI) providing proof that their insurance policy meets the insurance conditions outlined in their lease agreement. Due to manual and inefficient COI tracking, landlords cannot enforce compliance. The case area is to create a compliance tracking system that takes an input of certificates of insurance and landlord lease agreements, and to create a brokerage system that enables more efficient insurance policy issuance and fulfillment. The goal is to automate compliance tracking, and portions of the follow up to increase compliance. The organization is a start-up, the product that that start up will produce is called digitalCOI.

MOV

Impact

Area of Impact	Ranking
Operational	1
Strategic	2
Financial	3
Customer	4
Operational	5

This project will be to create the operational system to track insurance compliance. This system first and foremost will be used to achieve the company's core competency of tracking compliance.

The secondary impact will be strategic. This is because the IT product will be defensible to other existing startups by virtue of creating proprietary technology & processes and compliance data that will be hard for competitors to copy.

The financial impact of this IT project will be realized through a robust sales organization. This IT project will not be evaluated by projected revenue, that is the accountability of the sales organization. The financial component of this project that is important is simply the cost to service the problem.

Customer and Social impact, while important, are not the core focus of this IT project. The customer will be engaged throughout the design and testing of the system.

Desired Value

The current manual process of managing certificate of insurance compliance required approximately 30 minutes on average per tenant. The goal is to reduce the time required to track compliance by a factor of 10. Reducing the time required to track compliance is the core competency of digitalCOI.

Secondarily, the costs associated with tracking compliance should reduce if the compliance tracking is automated and more efficient. This directly can be attributed to the efficiency of how many certificates of insurance a single employee can process.

Metric

The measurable expectation is to reduce the certificate comparison and tracking process from 30 minutes per tenant to 3 minutes per tenant, a 10-fold increase in speed.

Time Frame

The metric should be realized within the first 6 months of operations after initial deployment. This time is required to test and iterate with a partner client. The test partners, Community Trust, will ensure that we have adequate feedback required to fulfil this timeframe.

MOV Summary

This project will be considered successful if the system can process a certificate of insurance and determine compliance in under 3 minutes in a live scenario.

Alternative Analysis

Use an approximate proxy of a customer with 2000 certificates of insurance over a single year of regular operations. 2000 certificates of insurance would represent approximately 10% of the yearly operations. All dollar amounts are in CAD unless otherwise stated. The costs of development and employees was gathered from interviews with industry experts, please contact Austin Baggio for notes or transcripts of these interviews.

	Total Cost of Ownership		
	Direct costs	Indirect costs	Support & Maintenance
Status Quo	1 employee @ $60,000 salary + 7% benefits for 1/4th of their time = $32,100[1]	Office Space 1/20th of $2,000 rent *12 months = $1200 Technology costs (phone, internet . . .) = $1,000	No new technology, therefore support and maintenance costs are 0
	$32,100	$2,200	NA
License from Ebix[2]	Licensing fee of $13 per COI = $26,000[3]	Law consultancy $200hr @ 100 hours a year @ 1/10th of their time = $2,000 Technology costs (phone, internet . . .) = $1,000	Part time employee @$30,000 for 1/10th of their time[4]
	$26,000	$3,000	$3,000
Web Portal	Development costs: AI specialist $80 *100 hours = $8,000 Internal team, reskinning an existing application dev = $0 Hardware & Server costs = $1000 Solidity $250 * 40 hours + 10 hours testing = $12,500[5]	Office Space rent $2,000 *1/10th = $2,400 Technology costs (phone, internet . . .) * 5 employees = $5,000 Law consultancy $200hr @ 100 hours a year @ 1/10th of their time = $2,000	Compliance tracking expert, 1/10th of their time @ $60,000 = $6,000
	$21,500	$9,400	$6,000

[1] Favelyukis, Michael. Interviewed by Austin Baggio & Max Goyzman via Phone at Community Trust Company at Mississauga, October 12th 2017.

[2] https://ebix.com/

[3] Carrie (Ebix employee), interview by Max Goyzman via Phone at Toronto, October 15 2017.

[4] Simms, Renee. Interviewed by Max Goyzman & Austin Baggio at RioCan Management Inc. at Toronto, October 10th 2017.

[5] Markou, Greg (Systems Architect at ChainSafe). Interviewed by Austin Baggio Toronto, February 5th 2017.

	Total Benefits of Ownership			
	Increasing high-value work	Improving accuracy and efficiency	Improved Decision making	Improving customer Service
Status Quo	No. Employees will continue to be tracking manually.	No. Compliance rates will remain the same.	No.	No.
License from Ebix[6]	Yes. The function of compliance tracking is outsourced.	Yes. Ebix boasts compliance rates of 95% plus.	No.	Yes. Ebix has great customer service.
Web Portal	Yes. This will automate the compliance tracking.	Unknown. Training data will be required.[7]	Yes. The entire solution is owned by the company, meaning that changes can be made more quickly without much approval.	Yes. There will be full time staff that will service the customer.

Recommendation

The recommendation is to build the software portal in-house. This conclusion was determined based on the total benefits of ownership and the total costs of ownership. The status quo option offered no benefits of ownership, and the licensing option does not provide digitalCOI with the ability to dictate the specifics of their compliance needs. The importance of improving accuracy and efficiency are unknown with the in-house solution, but with enough training data, the algorithms will be able to detect compliance accurately over a variety of live scenarios.

In terms of costs, they are comparable across the different alternatives, however manually checking compliance will only achieve the historic 30% compliance. A major reason why it is recommended to build a solution as opposed to licensing it is that this IT project will be used to generate revenue for the company moving forward. By having full control over the product, the company can tailor it more quickly to new customer needs than if it was another companies' solution. The costs of the web portal are also only incurred at the beginning of the project, where the benefits will be realized over the life of the business.

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[6] https://ebix.com/
[7] Markou, Greg (Systems Architect at ChainSafe). Interviewed by Austin Baggio Toronto, February 5th 2017.