The CIO Challenge in Insurance: A New Breed of Leadership

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IBA

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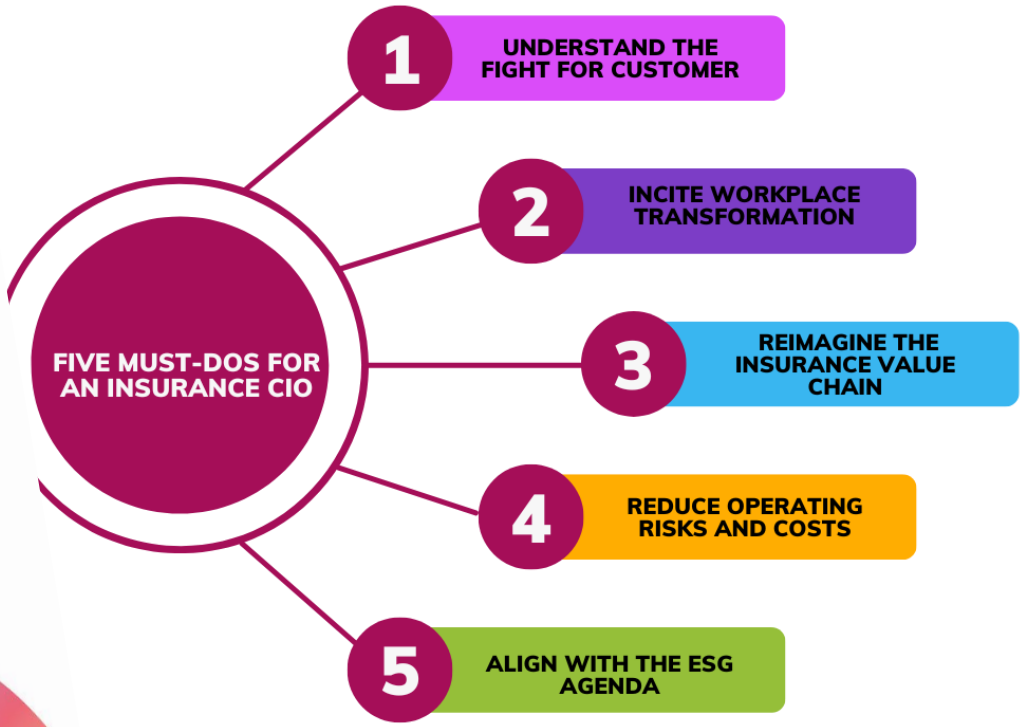
With the changing technological face of the insurance sector, leadership has never been more important. As an insurance revolution continues to gain momentum, modern business needs a new leader and one that can innovate at the same speed as the industry.

> **There's no worse time than now to be an average CIO.**
>
> McKinsey Digital

Modern chief information officers (CIOs) are at the helm of weighty decisions in any business, especially in the wake of so many software-fueled shifts. This will be one of their biggest challenges, and global disruptions haven't helped either. New workplace models as well as the demand for "always-on" digital experiences has impacted the role of the CIO across all sectors. This means intense pressure to move beyond traditional, functional management towards strategic leadership, where new technology is leveraged to create core value for businesses and consumers.

To understand the scope of transforming IT into a drive of business, there are a few imperatives when it comes to tech leadership.



A transformative CIO needs to be able to articulate the business's goals, identify what percentage of technology resources are focused on driving growth, and find out if the most important tech initiatives are delivering value. But a transformative CIO is more than this. They must be a business leader, first and foremost, with a comprehensive understanding of business strategy.

They must know the business in and out, which means being prepared to interact with it in different ways. A tech leader invests time into understanding the reality of business processes and goes out of their way to grasp customer needs.

The CIO should also claim responsibility over initiatives that generate revenue and measured success by key performance indicators. Such actions help CIOs to understand the implications that technology has on the business and the customer experiences, both good and bad.

Using Legacy Systems and the Cost of Opportunity

The downside of using aging and obsolete business tools should be obvious. But since these systems hold years of valuable data and are expensive to install in the first place, insurance companies can be apprehensive about adopting change.

Digital transformation is something all businesses should be moving towards to keep up with an ever-innovating tech world, but why does abandoning legacy systems seem like such a big first step for some businesses?

> **Legacy Software is the Achilles heel of your operational processes.**
>
> **Aphinya Dechalert**
> Developer, Medium Online

Firstly, legacy systems are expensive and a hassle to maintain. While some things don't need to be fixed unless broken, an outdated legacy system, even if functioning effectively, could be costing your company much more than you're aware of.

There are a host of problems with legacy systems and if you're still using them, it might be time for a change, but that doesn't also mean abandoning them all together.

They Take Time

One of the most significant marks of legacy systems is inefficiency. Old systems are notoriously slow, and less capable of handling lots of processes than newer ones. When systems are down, this costs your team time and productivity and is also expensive for insurance companies in the long run. Updated systems also offer more intuitive interfaces.

The time lost by using such systems often can't be measured, but financial impact can. According to ITIC (Information Technology Intelligence Consulting), 98 percent of large companies reported that system downtime costs them $100,000 per hour, while 81 percent of these businesses report costs of $300,000 or more per hour.

They Lack Information

You can't beat modern software when it comes to gaining deeper data insights into any business. This is an area where legacy systems fall short. Processing big data wasn't a thing when legacy software was built, but today, verifiable information is more important than ever for supporting business decisions.

Stakeholders demand detailed reports, backed-up by powerful data insights, and without modernising legacy software, your business will be ill-equipped to provide such details.

They Inhibit Growth

Legacy systems were created in the past, and in some ways, are frozen in time. If the system you're using isn't aware of technological changes, how can you expect your business to move with the times? Legacy systems are rarely scalable and often need to be complemented by other technology to meet all your business needs. This leads to a delicate balancing act that only asks for trouble.

Wanting to stick to what we know is a human condition but being afraid of change only makes a business more vulnerable to security risks, support expenses, and error. We can't grow without transformation.

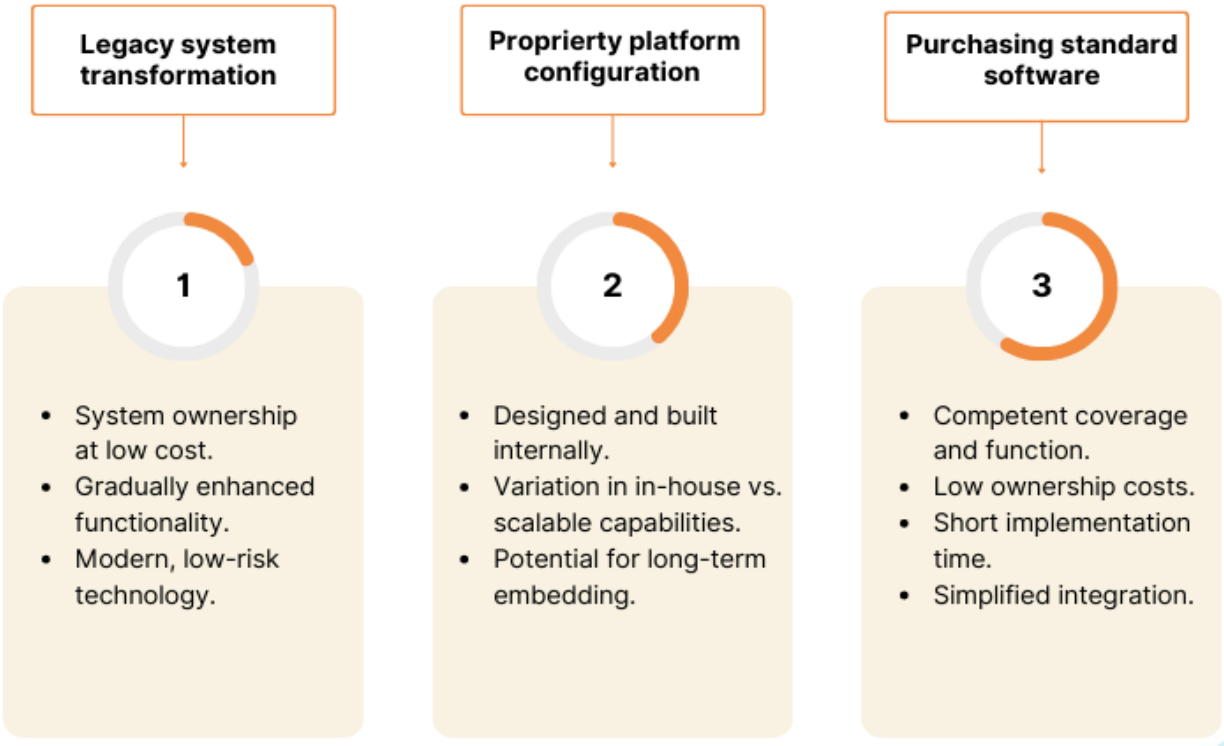
“I’d never have launched this agile transformation if I only wanted to remove pain points; we’re doing this because we need to fundamentally transform the company to compete in the future”.

A CEO from McKinsey digital

Why Modernise Core IT Systems?

There are countless reasons for insurers to digitise services and implement core modernisation. It can increase operational efficiency, reduce technical debt, and prevent security breaches. Still, choosing the right approach for your operating models is imperative.

For insurers’ core systems, there are three modernisation options: modernising the legacy platform, building a propriety platform, and purchasing a standard software package. A lot of things impact which decision is right for your business, but it can still be a difficult choice for any CIO to make.



The stability of the existing legacy system, the available resources, and the IT capabilities of any company all have an impact on which approach is best. Companies with low internal IT capabilities but those that still want to benefit from IT, products, and processes of market standard, will typically have the most to gain from buying a standard software package.

On the other hand, insurers that believe in a differentiating core system might want to build a new platform while using prebuilt parts of an existing core system.

Insurers that already have relatively stable and partially modernised systems that still rely on outdated technology are more suited to modifying their platform. Upgrading elements of the existing core, like the integration layer, can add unparalleled business value.

Each path has different pros and cons. The CIO must navigate the fundamental results of each to decipher if they're right for the business, but they'll also need to consider timing and the extent to which existing policies might need to be overhauled.

Most insurers develop a platform for their new and existing business, but a greenfield implementation puts the focus on the new business, with the potential to migrate the old business later.

There are tough questions for the CIO to ask themselves during this process. Business-model objectives, starting point, time frames, and capabilities all need to be considered. The CIO also needs to question the health of investments, core systems, appetite, and their true ambitions when it comes to increased digitalisation.

To fully modernise, core systems need to be completely rebuilt, and with the digital advances in insurance, it should be the next frontier for any CIO.

What is the multicore strategy?

Core system modernisation and digital transformation has allowed insurers to innovate beyond the constraints of legacy systems, to deliver consistency, speed, stability, and improved performance to customers. But front-end improvements are not enough.

To feel the full benefits of digitalisation, insurers need agile feature development and real-time data access in core systems. But this often means a complete overhaul of core systems and huge transformation of business models. So, does it always have to be this way?

This is where the multicore strategy comes in. Also called The Land and Expand Approach, the multicore strategy is a low-risk, low-cost approach which consists of integrating a new modern core system to launch new digital offers that the former core couldn't handle.

IBA's IBSuite Multicore Strategy is a cloud-based solution, and it can be implemented and ran alongside an existing core.

Products and services are reduced upon initial implementation, putting little strain on resources when insurers are presenting a product or service via any channel to their consumer. New core-selected products, services and applications can be planned and rolled out once the first implementation is complete and running smoothly. Such services will get to benefit from the abilities of a modern system.

Case Study

This hybrid platform was chosen by IBA's client Klinc, a subsidiary of Zurich. Their older system wasn't capable of the mobile-first approach that Klinc needed. A greenfield project with IBA allowed Klinc to roll out a product to insure phones and other devices with functions like switching covers on and off based on data usage. It was rolled out in less than 5 months to partners across Europe through a hybrid, multicore strategy.

Accelerating IT Modernisation: Cloud Adoption

Investing in an API-first solution, like Greenfield, is a choice for businesses still facing the urgency of transformation. When an existing core is still sustainable, but not capable of handling real time digital products, leveraging cloud native architecture could give businesses that edge they need for future product innovations.

Some companies might migrate legacy customers to their new core, while others won't. API integration also helps companies to automate, ensuring smooth communication and employee benefits across cloud-based apps.

How APIs can accelerate your business

APIs not only streamline business operations, but they can better the customer experience without having a dramatic impact on cost. IBSuite is designed API First, meaning it is fully backed by API coverage, exposed through RESTful APIs. This approach allows business to run on one single platform, enabling scalability and resilience that legacy systems lack.

IBA ensures that all APIs are both backward compatible and versioned. But IBSuite is also provisioned as a native cloud solution and cloud computing has its own benefits when it comes to modernising technology:

Superior DevOps Capabilities

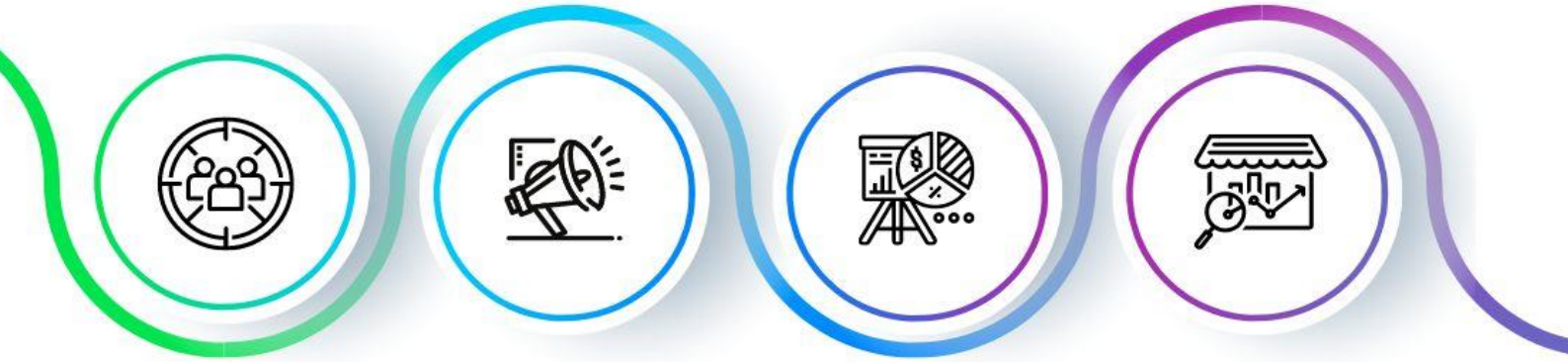
DevOps is a software methodology that integrates and automates development and IT operations. Cloud infrastructure can boost DevOps, increasing the potential for scalability, minimising latency, and facilitating centralised management.

Elasticity

Cloud computing also allows infrastructural resources to be expanded and compressed for workload to be managed more efficiently. This is called infrastructural elasticity and it can help to minimise infrastructure costs.

Evergreen IT

Cloud computing is always changing and evolving. This type of technological ecosystem has been dubbed “Evergreen”, since it will never go out-of-date. Adopting an Evergreen IT solution, or a platform-as-a-service framework, means your organisation won’t have to assume ownership of the lifecycle and will never become obsolete



INTEGRATION

APIs simplify integration, facilitating softwares to reorganize relationships based on your business's specific needs. IBSuites is easy to pattern thanks to a flexible and robust integration layer.

TASK AUTOMATION

Integration means manual tasks can be easily automated, resulting in effortless transitions between linked applications. This saves, time, money, and effort.

IMPROVED SERVICES

APIs also allow third-party products and services to complement existing models by simplifying the application of new digital products.

INNOVATION

Developed faster, better, and at lower costs, APIs are crucial for the development of innovative business models.

Conclusion

In the insurance world, business owners have no choice but to innovate if they want to keep up with a fast growing and ever-changing technological landscape. This means digitising and modernising, at every end of the business model, from leadership to IT infrastructure.

The opportunities that cloud adoption provides are unparalleled when it comes to organisations responding quickly and as per their demands. Cloud computing cuts costs and diversifies workloads across the insurance sector, but there are risks associated with accelerated transformation and it can be hard for employees and systems to keep up.

With a hybrid multicore strategy, where a new core is adopted alongside legacy systems, insurers can bear the fruit of new technology without major disruption to existing models. Low-cost and with minimal risk, modernisation is provided as needed and not at the technological expense of the company.

The IBA customer buys the innovation capability to launch new business models, new insurance products, and processes for the insurance industry of tomorrow. This is the future of insurance, don't get left behind, visit our website:

Find out more.