



## NOTES FROM THE 2011



This report summarizes the informal discussions that occurred at the 2011 CIO Insurance Summit, an annual meeting of more than 40 insurer CIOs from across the industry. Throughout the report, we've included illustrative quotes by the delegates. Sample quotes include:

*There is a gap between what consumers expect and what they receive from insurers.*

*The CIO discussion with CEO used to be, "What's wrong, what's broken now?"  
And now it's moved to, "How can you help? What can the technology do for me?"*

*If IT organization needs to sell a core systems strategy based on fear, you've already lost.*

*The days of we're going to issue you your PC, we're going to issue your BlackBerry,  
are over.*

*We need to take a balanced approach to security, one that looks at risk and recovery and  
business value. We can't just lock everything down anymore.*

*Technologists tend to be more optimistic, and the CIO is very well positioned  
to be a change agent if you're willing to be one.*

With technology taking a central role in every function in the insurance enterprise, the role of the CIO has never been more critical, and learning from peer experience has never been more important for insurer CIOs.

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## INTRODUCTION

The third annual CIO Insurance Summit was held in Miami FL, October 16-19, 2011. More than 40 CIOs from US insurers attended several days of workshops and presentations designed to facilitate knowledge-sharing and explore business and technology issues facing the insurance industry.

The Summit included more than 20 formal presentation sessions and workshops. This report is designed to capture and summarize the informal discussions that occurred as part of the workshop and panel sessions (the formal presentations were provided separately to attendees by the conference organizer, CDM Media). Throughout the report, we've included illustrative quotes by CIO delegates to the Summit.

Each section of this report looks at one of the nine most common discussion topics at the Summit: the changing technology environment, data and analytics, the role of the CIO, core systems, social media, mobile, device proliferation, cloud, and security.

## CHANGING TECHNOLOGY ENVIRONMENT

The capabilities of information technology have undergone rapid and accelerating change in the last two decades, culminating (for now) in the **consumerization of IT**. Internal users' expectations are set not by corporate systems, but by their personal devices and their personal online lives. Customers' (and agents') expectations of technology are set by Apple, Google, and Amazon, not insurers' own industry peers.

*There is a gap between what consumers expect  
and what they receive from insurers.*

Insurers' own corporate systems have not kept pace. CIOs are tasked with deploying 21<sup>st</sup> century capabilities on 20<sup>th</sup> century systems. Most CIOs are still hamstrung by legacy applications that are inflexible, expensive, and in many cases undocumented.

*Consumers are getting used to integration,  
but insurance organizations are still very silo-ed.*

Equally challenging for insurers is the need to adapt their internal business processes to take advantage of modern information technology capabilities.

*Why can't we sell insurance over video chat?*

In the best cases, the CIO can help drive awareness of new capabilities and help business leaders change their perspectives.

*The true sign of success in our organization was when  
a business unit on its own put up a poster that said,  
"We always have" with a big red mark across it.*

## DATA AND ANALYTICS

The insurance industry is in the midst of a transformation, from the world of data scarcity in which the industry evolved, to the world of data super-abundance in which it finds itself today.

The quantity of data both inside and outside the enterprise continues to grow exponentially. For insurers, this means:

- Easier access to detailed underwriting requirements and loss information
- The opportunity to build and deploy better models across all areas
- A tremendous IT challenge

Several of the CIOs noted that their IT infrastructures are just not ready for this new world.

*We are still grappling with single view of the customer and with using IT as tool for improving employee engagement. We are not ready for Big Data.*

*There's lots of talk about application innovation, but it's like building a racetrack when cars aren't out of the shop yet.*

Others discussed the organizational challenges of operating in a "Big Data" environment.

*We need data management skills. What do you want that data to tell you when you do your data mining, when you do your business intelligence? Business users need to be able to tell us what business intelligence they want to come out of the system.*

*We no longer own a lot of the data that's out there, and it's not subject the same security and validation rules that reign inside the company. The question is how far to trust which sources?*

Internal data quality and control can be an abstract concept for business leaders. One delegate suggested marshalling a critical mass of data-dependent business issues before presenting a proposed project.

*Data centricity is a vision, not a single business case. We saved up pain points for 6-7 months, then we visited with our business executives and said, "This is what you're living with and this is the way out."*

But other CIOs noted that their executives were actively looking for their assistance in using Big Data to transform their businesses:

*In insurance, innovation is a huge problem, and management's perspective is that we can use Big Data to innovate products and processes.*

## ROLE OF THE CIO

Over the past decade, the role of the CIO has evolved from that of a reactive service provider to become a much more strategic executive role.

*The CIO discussion with CEO used to be, “What’s wrong, what’s broken now?” And now it’s moved to, “How can you help? What can the technology do for me?”*

Some CIOs still struggle with leadership teams that don’t give them a proverbial “seat at the table.”

*A CIO needs to have a part in the corporate conversation or  
a) you’re not doing your job, and b) you CAN’T do your job.*

One delegate had a novel solution:

*If IT isn’t at the table, create a new table. I created a technology strategy committee and invited senior executives to join me there. After a while, a lot of planning migrated to this committee.*

Because IT touches every part of the organization, CIOs have a uniquely valuable perspective and opportunity to really function as a change agent:

*Technologists tend to be more optimistic, and the CIO is very well positioned to be a change agent if you’re willing to be one. Remember, the opposite of change is consensus, so don’t look for consensus, look for risk takers. If you truly want to be a change agent, you should be willing to risk your job.*

## CORE SYSTEMS

Recent [Novarica research](#) has shown that more than 40% of insurers are replacing or significantly enhancing their core policy administration systems in 2012. Certainly the challenge of managing complex core systems and planning for replacements or consolidations was high on the priority lists of most of the summit delegates.

Several of the delegates had recently been through core systems projects, and shared their perspectives on both planning and executing these projects.

IT often starts with the perspective that the biggest issue with current legacy systems is operational risk. Betting the company on poorly documented and inflexible legacy systems seems to IT executives like an obvious reason to change. But for business executives, there is a rarely a sense of urgency related to this kind of operational risk.

*If IT organization needs to sell based on fear, you’ve already lost.*

*You have to sell the value, not the system.*

The value of core systems replacement should not be primarily technological. Reducing cost-of-ownership and moving away from unsupported applications is important, but rarely makes a compelling business case. The business value of core systems replacement must be related to enabling new business processes and capabilities that are impossible or prohibitively expensive on the current systems.

*The X factor is executive buy-in.*

Change management is also a critical issue, and one business and IT executives must plan for together.

*It's not just time you need from business sponsors, they will be making a sociological change -- how they work isn't how they're always going to work.*

## **SOCIAL MEDIA**

Most insurers have not ventured heavily into social media beyond marketing. Guest speaker Clara Shih, author of *The Facebook Era*, provided a compelling presentation about using social media to interact with customers and help agents improve their connections to policyholders and prospects. But social media is more than marketing. It makes possible a level of inter-personal transparency that has the potential to transform the way organizations interact not just with their customers but within their own teams.

Many of the delegates have found that cultural issues still inhibit adoption of internal social media:

*Using social media-like tools within the organization is still new; there's no concept of collaborative workspace.*

But others reported successful initiatives that used social media tools to enable internal crowdsourcing and provide greater organizational transparency.

*For our claims organization, we were able to use technology to make better use of the ideas that people came up with. Our in-house social network has been very valuable -- at last count 8 major and about 25 minor initiatives came out of this piece of technology. It makes it easier for people to talk about things, and the CEO or head of claims could see what they were talking about.*

## **MOBILE**

The speed of adoption of smartphones and tablets among both internal users and customers presents challenges and opportunities for CIOs, with benefits in productivity and convenience and challenges in managing increased complexity.

All delegates had seen a huge upswing in the demand to access basic email/calendaring via smartphones in their organizations, and many delegates had enabled specific mobile business applications, either in sales or claims.

*We can capture information from the prospect,  
generate a PDF of the ACORD form, and complete it on an iPad.  
The customer can e-sign it and the PDF is locked.  
We can walk away with rated business.*

As always, each new change brings greater complexity, as CIOs deal with multiple platforms and the addition of new connections to their existing infrastructures.

*Avoid over-committing to one platform. This is going to keep changing.*

While mobile devices present an additional security challenge, some delegates felt they actually presented less risk than laptops, which typically store data locally.

*Does mobility increase the security risk, or does it actually decrease  
security risk? It requires a password, virtually nothing stored on it.  
I sometimes wonder if the whole mobility thing is actually a security positive.*

## DEVICE PROLIFERATION

*The days of we're going to issue you your PC,  
we're going to issue your BlackBerry, are over.*

*Users expect support for their devices even if they're not company issued.*

In a consumerized IT world where personal devices have outstripped corporate-provided devices in terms of providing a good user experience, there has been a groundswell of “BYOD” (bring your own device) activity at all corporations, and insurers are no exception.

As many of the delegates noted, the greatest pressure to support new devices comes from iPhone- and iPad-toting senior executives, who are least likely to accept no for an answer. While some delegates saw this as a challenge, others were more sanguine about this loss of control over the hardware.

*As long as you can encrypt the device and wipe it remotely if need be,  
it doesn't matter what kind of device it is.*

Others are dealing with the device question by shifting their focus to virtual applications delivered over the network, and using the device purely as an access platform rather than an application platform.

*We're trying to get more and more into Citrix  
rather than direct deployment to device.*

## CLOUD

Some insurers have started to embrace SaaS (software-as-a-service) for non-core applications like HR, some finance applications, and even email. Use of platform-as-a-service or infrastructure-as-a-service is in the pilot phase at the few insurers who have taken steps to use these tools. While some larger companies are essentially building **internal clouds** (formerly known as highly virtualized server environments!), most firms are sticking with more traditional installed software or single-instance hosted software for their core applications.

Unfortunately, the hype around “cloud” obscures the specific applications for which insurers might leverage remotely-delivered capabilities.

*Evaluate your actual provider, not “the cloud” in general.*

## SECURITY

Security is a perennial back-burner concern for insurers. All of the delegates had security as an ongoing concern within their organizations, but few were focused on improving it as a critical strategic issue.

With mobile, device proliferation, and cloud all playing roles at most insurers to one degree or another, the traditional “perimeter security” approach is no longer meeting the everyday business needs for most insurers. It’s impossible to fully secure the borders of your information environment if your business depends on accessibility of information by users and systems outside your firewall.

*We need to take a balanced approach to security, one that looks at risk and recovery and business value. We can’t just lock everything down anymore.*

Approaches discussed included encryption of data inside the perimeter, and careful monitoring to expose breaches, as well as a focus on limiting accidental loss.

*Start with accidental loss – if you look at big security breaches most of them have been accidental. That’s the biggest weakness. It’s also better for morale to focus on accidents. It’s unifying instead of dividing.*

## CONCLUDING THOUGHTS

Insurer CIOs are dealing with increasing complexity that comes from the rapid increases in the capabilities of information technology across the economy, the volume of data, and the expectations of users of all kinds.

*More Technology Capabilities + More Data + Higher Expectations  
= More Complexity for CIOs.*

Most insurer CIOs have become strategy executives as well as operational executives. With technology taking a central role in every function of the insurance enterprise, the role has never been more critical. One of the delegates said it best:

*The future really happens at intersection of human capital and applying technologies. No one knows all the paths that's going to take, but smart companies and smart executives are figuring that out.*

## ABOUT NOVARICA

Novarica provides information, insights, and perspective on markets, operations, and technology to financial services and insurance executives. The company delivers its service through published research, retained advisory services, and project-based consulting. Novarica's research includes market and trend analyses, best practices research, case studies, and independent analyses of insurance software vendors. Novarica draws its knowledge from the personal experience of its principals, the ongoing information gathering initiatives of dedicated research staff, and regular communication with insurer executives through informal networks and through the Novarica Insurance Technology Research Council.

### About the Novarica Insurance Technology Research Council



The Novarica Insurance Technology Research Council is a knowledge-sharing and peer-networking community made up of insurer CIOs and senior technology executives. As of mid 2011, the council had over 300 members from more than 250 different insurers ranging from the largest to the smallest, across life/annuity/health and property/casualty. For more information, see [www.novarica.com/council](http://www.novarica.com/council)

### About the Author



Matthew Josefowicz is a partner and the managing director of Novarica. He is a widely-published and often-cited expert on insurance technology, operations, and e-business issues who has presented his research and thought-leadership at numerous industry conferences. Over the past decade, he has worked directly with dozens of US and international insurer CIOs to advise them on IT strategy and solution selection, and has written more than 100 reports on insurance technology issues. He is also the lead moderator of the [Novarica Insurance Technology Research Council](#). Prior to launching Novarica, he founded the global insurance group at analyst firm Celent and led it for more than six years. His other experience includes hedge fund D. E. Shaw & Co., LP. He holds a B.A. *magna cum laude* from Brown University. He can be reached directly at [mj@novarica.com](mailto:mj@novarica.com).

## ABOUT THE CIO INSURANCE SUMMIT

The CIO Insurance Summit brings together a group of insurance industry CIOs representing the property & casualty, life & annuity, and health segments to discuss how new and emerging technology solutions can be used to solve current industry challenges. The CIO Insurance Summit is an opportunity for attendees to make critical business contacts, have candid conversations, and attend educational sessions led by and on topics chosen by their CIO peers. With Novarica as the exclusive analyst partner, the event is produced by CDM Media. More information at [www.cioinsurancesummit.com](http://www.cioinsurancesummit.com)