

**INTERNATIONAL INSURANCE SOCIETY
39th Annual Seminar**

“Best Practices in Information Technology”

A Plenary Session sponsored by

ACORD

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Waldorf Astoria Hotel
New York, NY
U.S.A.*



Best Practices in Information Technology
International Insurance Society
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1:30 – 3:30 pm

Each year, the International Insurance Society's (IIS) annual symposium provides senior executives from around the world an opportunity to hear from and dialogue with experts on important topics relative to the state of the industry. At the 2003 meeting, Gregory Maciag, president and CEO of ACORD, moderated a panel discussion with Bill Hartnett, Microsoft; Chris Milton, AIG; Guy Mills, Manulife; Ram Mynampati, Satyam; Yury Zaytsev, Swiss Re; and Denise Garth, ACORD to discuss a variety of issues facing business executives in the information technology environment.

Through the use of an audience response system, much of the conversation amongst panelists involved reacting to the opinions of those attendees. [See slide presentation, "IIS – Best Practices in IT."] Half the audience represented cedents or their reinsurers; 17% were solution providers; 15% academics; with the remaining 18% either Intermediaries or listed as "Other." They represented a good breakdown between life and non-life lines of business with 61% indicating they were involved with both. 58% identified themselves as having a responsibility for corporate management.

A couple of key points that were revealed included that CIO's believe business needs should drive IT projects, and technology itself does not deliver value, people using the technology do.

Bill Hartnett, General Manager, Financial Services Group at Microsoft set the stage for the dialogue on the best practices in IT by speaking to the growing use of the Internet and the associated security concerns due to increased activity. He said the insurance industry is making great strides in the development of IT initiatives and providing businesses with a strong value chain (using claims processing and agency productivity as prime examples).

Going forward, Hartnett believes that there will be a strong need and fast development of technology, that will be easier to use and "less intrusive." He also called for increased participation by business executives who "need to get personally involved and collaborate more to adopt industry standards and streamline the flow of information."

Respondents' views of technology in their business

When asked, "What is their greatest challenge?" a third of the audience responded 'Market Growth.' The panel discussed at length that this is clearly a business issue not a technology issue, but one that can benefit from the use of technology.

When asked, "How do you view technology in your business?" a majority of the audience (53%) recognized technology as a "strategic business solution," 32% see it as a

“competitive advantage,” and 13% view it as a “cost of doing business.” Surprisingly, two percent believe technology is “unnecessary.”

Yury Zaytsev, group information officer at Swiss Re, upon seeing these results stated that “technology and/or systems don’t deliver value, rather people using the technology is what delivers value.” As a strategic business solution, technology alone doesn’t deliver the value; it’s the people using the technology that deliver the value to the business.

As for the third of the audience that saw technology as a “competitive advantage,” Zaytsev agreed but noted that it is important to question the advantage by asking “How does IT support my business model?”

Whether technology is a “cost of doing business” or not isn’t really the issue, but rather, as one panelist mentioned, is it being used properly to support the business model, and are the people using it, doing so efficiently?

In response to the 2% that said technology is “unnecessary,” Zaytsev agreed that this could be true, “if the first three issues were already solved.”

Zaytsev also added that managers are handling far too many pieces of information and that this workload should be shared by IT and management personnel. He advised those not currently taking advantage of IT solutions to “stop wasting their time and money” but cautioned that at the end of the day, it is still individual ideas and principals that drive business projects.

Exchanging data with business partners

The art of data sharing has certainly crept into the 21st century with the inclusion of virtual managing, a process that allows companies to conduct audits without the auditor ever stepping foot into the office. “This is just one advancement in the exchanging of data,” according to Chris Milton, vice president, Reinsurance Division at AIG.

Milton went on to question the audience’s response to the query, “How do you share/exchange information/data with your business partners?” He found it difficult to believe that 54% of the audience used mostly electronic methods of processing data, saying the ideal of a “paper-free” business process was still a long way off. All panelists agreed however that until the industry in its entirety adopts a universal set of standards for data sharing, a “paper-free” business process is unlikely.

Business’ control of information technology

When asked “How does business control IT in your firm?” 43% of the audience said there is a “strong central control,” 41% said there is a “balance between central and local control,” and 16% said that “control was largely up to the local business unit.”

Guy Mills, assistant vice president, Information Services at Manulife, who has been in charge of operations for his company in Asia noted that a strong centralized approach to IT might exist in a company to make sure that solutions or processes can be leveraged globally. He also believed that reusing a particular software to execute a new project is fine, but is best done by using the people who have experience with the software. The importance of raising the visibility of IT projects is great. By keeping an open network of communication on a particular project, everyone can see the progress and, in the case of a problem, offer the opportunity for others to contribute their knowledge and/or experience to get the job done.

Barriers between CEOs and IT

Rarely do CEOs have IT experience, so the question asked of the panel was “How do we ensure IT decisions are sound?”

The panel suggested that the two create trust and reliable relations with one another. Part of this responsibility falls on the IT experts, who need to speak in a language that is understandable to the CEO. On the other hand, the CEO needs to build a team around themselves. Part of that team needs to have a strong presence in IT.

The case for outsourcing

The case for outsourcing had an interesting turn of events during the length of the session. Two questions presented to the audience were “Do you outsource?” and “How soon will you be outsourcing elements of your business?”

More than half of those who responded to “Do you outsource?” said that they don’t outsource IT or business processes.

Just over a third said that they will “never outsource,” in response to “How soon will you be outsourcing elements of your business.” A third said that they will be outsourcing “this year” and the rest of the audience stated that they plan to outsource within the next one to three years.

Panelist Ram Mynampati, president, Commercial & Healthcare Businesses for Satyam was surprised to see that over a third of the audience believed that they would never outsource elements of their business especially since the need to outsource has become greater since the events of 9/11, most often for IT projects.

He also believed that, despite this audience’s answers, there seems to be an increased comfort level in outsourcing because it spurs consolidation of different systems and frees up valuable resources to work on other areas. He also believes that outsourcing business elements can help when doing so on a global playing field. Regional and/or cultural differences can be easily remedied by businesses that are familiar with the local environment.

The future role of IT

So what is the future of information technology? Well, according to 62% of the audience that said they would increase IT spend in the next year compared to the previous, it is growing.

63% of the audience believed that “IT people will finally learn to communicate effectively with business people” offering some positive feedback for a situation that often sees conflict.

So, how does the industry see business and IT in the future? Well, at the beginning of the panel discussion three quarters of the audience agreed or strongly agreed that “The industry will embrace more collaboration among business partners to enhance business value by applying IT.” By the end of the discussion, 100% believed there will be more collaboration.

Based in New York, ACORD is a global, nonprofit insurance association whose mission is to facilitate the development and use of standards for the insurance, reinsurance and related financial services industries. With offices in London as well, ACORD accomplishes its mission by remaining an objective, independent advocate for sharing information among diverse platforms. ACORD Standards and services improve efficiency and expand market reach. Affiliated with ACORD are hundreds of insurance and reinsurance companies, and thousands of agents and brokers, related financial services organizations, software providers, and industry organizations worldwide.