All change

How can you ensure that an IT overhaul is conducted as smoothly as possible? Sarah Tame uncovers the 10 pieces of knowledge all chief information officers at re/insurers need to know

DO YOU NEED TO OVERHAUL?

Mike Duggan, head of Deloitte's insurance legacy transformation practice advises re/insurers to be 'well briefed' before deciding which course of action to take in overhauling their IT system.

Undertaking an overhaul of your IT system is a time consuming and costly step for re/insurers especially when in most cases legacy systems are relatively cheap to keep running, he advises.

With a constantly changing IT market re/insurers who do decide to buy a new product need to be aware of what they're purchasing, he says.

"There is a lot of change in the package market at the moment. The software market is changing a lot. For example vendors' scope is decreasing."

BUY OR BUILD?

This is an important question companies need to ask themselves when overhauling their IT systems, says Julian Mancell Smith, managing director, Trace Isys.

"Do you invest in products already out there and become part of a user base and share the cost or do you invest in developing a system yourself and take on all the cost?"

The answer is different for each company, says Phil Brown, project manager, Acord.

"Willis and Munich Re opted for existing systems, whereas Scor and Swiss Re have developed their own solutions.

"My advice however, is that smaller companies should swing towards a shared solution. And for the big global companies; don't bite off more than you can chew – manage the overhaul appropriately and consistently."

DON'T BURY YOUR HEAD IN THE SAND

Chief information officers of re/insurers are faced with several choices when looking to overhaul their IT systems, one choice is to do nothing, says Mr Duggan.

He says: "Doing nothing may sound like a good option but doing nothing also has risks and costs. Existing problems will probably just get worse over time."

The same applies for market modernisation, says Mr Mancell Smith.

He says: "Companies will be left behind if they don't invest in market modernisation. It is not an option to be part of the market initiative. The market as a whole has to go forward together. It only works if everyone is joining in."

THINK ABOUT THE FUTURE

When developing or implementing a new system of IT infrastructure re/insurers need to think about the future.

Companies tend to go through the process of overhauling their IT systems every 10 to 15 years and often this is because IT systems get locked into applications that were developed at the time.

Mr Mancell Smith says: "That system becomes difficult to change as time goes on so eventually you have to overhaul the system.

"Re/insurers need to develop a model driven architecture for their IT systems. This will ensure that they don't have to repeat the overhaul process every 10 to 15 years."

ACORD STANDARDS

A key driver behind companies overhauling their IT systems is to improve the end to end communication with business partners, says Mr Brown. With this in mind re/insurers need to bear in mind Acord messaging needs when implementing new IT systems, he says.

"Companies should avoid building Acord messaging as an add on. You should integrate it properly so that you are not spending time decoding and retyping. There should be a full integration into the workflow. Acord is about the business transaction and that can be built into the workflow."

WHEN TO MIGRATE?

When overhauling your IT system data migration is a key consideration.

Mr Mancell Smith says: "Organisations have lots of data in their legacy systems. Any system overhaul allows you to look carefully at this data and decide what needs to be migrated and what needs to be cleaned along the way."

When implementing a new system the question of migrating policies is also an issue.

Mr Duggan says: "If you decide to implement a new system you need to not only implement the new package but you need to migrate the policies.

"The question is when do you migrate the policies; right away or at the time of renewal? At the time of renewal is the most common option."

LOOK AT BUSINESS PROCESS SYSTEMS

Overhauling your IT system gives re/insurers the perfect opportunity to examine their business process systems, says Mr Mancell Smith.

"It is quite likely that a business' working practices are built around the old IT system. Overhauling the system allows a company to look at the business process of the business, which now has the potential to change. This is a time when companies can look at the business process and make a new system to fit around its business process."

BUSINESS DRIVEN

Re/insurers need to ensure that there is a clear business case for undertaking an overhaul of its IT system, says Mr Duggan.

"A lot of programmes don't start off with a clear business case for overhauling the IT systems and most projects run into difficulties before they start building.

"Re/insurers need to have a clear understanding of what's in scope and what's out of scope of the overhaul. Any time you change what is in the scope of the overhaul make sure you know why you have changed it," says Mr Duggan.

BUILD A GLOBAL SYSTEM

Re/insurers need to consider how their company will run in the future and within that Mr Brown says re/insurers need to examine their global systems. "Scor, Munich Re and Swiss Re all have global systems – they all run their systems centrally and I find that many people are going global.

"It is not advisable to go off and develop a single system for one office if you are a global reinsurer," he says.

DON'T PAY FOR YOUR LEGACY SYSTEM

While legacy systems may result in limited expense to keep running, continually investing money in renovating them can be expensive in the long run.

Mr Duggan says: "A lot of re/insurance companies have come together through acquisition and as a result a lot of their systems are quite outdated. In some cases the systems are so old that there is no one around anymore who knows about the design anymore. My advice is don't keep investing in patching up something that is outdated, invest in overhauling your system."