



The Importance of Sound Implementations

By Scott Hinz

Some of the buzz around insurtech seems to have quieted somewhat. Given the coronavirus pandemic, that might have been as predictable as it is understandable. But insurtech isn't going away. The truth remains: Good systems make it easier to embrace and integrate new ideas. As the pace of change across the industry continues to accelerate, good systems are already prepared to accommodate changes — to integrate and interface with new systems and technologies. Beyond that, change notwithstanding, three constant, objective truths abide.

First, core systems — policy, billing and claims — remain the heart of every insurance company. Second, core system replacements carry with them the attendant objectives of modernization and digitalization. Third, the insurance industry remains plagued by failed and failing implementations that insurtech won't remedy. The only remedies for failing implementations are experience, expertise, attention to detail, and good old-fashioned teamwork.

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Change only takes place when the fear of change is superseded by the need to change. Fear of failure is real. In fact, it's sane and sensible. We'd have to worry about anyone or any company that would charge into a core system replacement project with no trepidations. The key is to perceive that fear as energy — and to channel that energy into caution and conscientiousness. You have to keep your eyes open. You have to be willing to hear what you need to hear, not what you want to hear. You have to keep one eye on your time and the other on your budget. And you have to commit yourself to precision, from gathering your requirements to defining your specifications. If you don't, you'll encounter dysfunction early and often.

Who's on First?

If insurance people were technologists, if they were software developers, they wouldn't be insurance people, would they?

If insurance people were project managers, they'd have designations like PMP and CAPM, rather than having designations like CPCU and AIM. And if insurance people were historians, they'd know everything that happened the last time their companies replaced core systems, which likely was 10 or 15 years in the past.

Turnover is the equivalent of corporate amnesia. Combine that with inexperience, lack of project management know-



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how, and inadequately defined or misguidedly assigned roles and responsibilities, and you might be heading for a less than favorable outcome.

Put It in Writing

Because this sounds so elementary, you might be surprised at how frequently it's not done: Gathering and documenting project requirements and defining specifications as exhaustively as you can are the first steps toward successful implementations. It may not be fun to collect all of the company's forms, notices, reports, rating algorithms, billing plans, dropdown boxes or picklist values, interface file formats, user permissions, and more. But it's absolutely necessary. The proof of that will reveal itself when you get to user acceptance testing.

The added benefit to documenting everything precisely and exhaustively is that the documentation will provide the historical record and the continuity that might otherwise be lost to turnover. And that documentation is likely to



serve the company well if another system replacement is undertaken after another 10 to 15 years. It may even help remedy corporate amnesia.

Look Ahead Flexibly

Be careful not to underestimate the reach, the complexity, and the duration of core system replacements. If you overestimate, of course, you'll be pleasantly surprised. But you should expect the project and its duration to cause some of your business requirements to change. That won't be problematic as long as those changes are identified before the project is complete. They'll only be troublesome if they're identified after the fact.

It's also probable that you'll want to enhance or introduce new products during the implementation. That, too, is to be expected, especially since you have to continue to do business. If you allow for the time required to design the product, to validate it, to acquire department of insurance approval, and to accommodate new integration points, you'll save yourself undue anxiety as such things arise.

You could also save yourself some trouble by putting one line into production on the new system first, then prioritizing and adding lines after that. Taking that approach will help you manage and adhere to timelines. It will also make it easier to ensure every aspect of every line is adequately tested.

Integration is Crucial

There are a number of reasons your system is called "core." One of them is that it's the core to which all peripheral and third-party systems integrate and with which they all interact. Existing third-party relationships are one thing. New ones are another, particularly if those new relationships are being finalized during the implementation of your system. You'll do well to make sure those relationships and the technical aspects of integrations are established before your implementation — or to make sure to build in the time required to firm those relationships up.

Data Conversion: Theory vs. Practice

Albert Einstein is reputed to have once said, "In theory, theory and practice are the same. In practice, they're different." And so it is with data conversions. In theory, it seems simple: Take data from the old system, import it into the new system. Call it a day. But in practice, it's much less simple, and can cause as many problems as it solves if it's not done correctly.

Smaller companies with relatively small volumes of data can convert it manually. Larger insurers usually require automated conversions, which have to be defined as part of the project specifications and identified in its requirements. The data requires verification, cleansing, standardizing, and normalizing according to the new system's specifications

before it can be imported into the new system. The success of the conversion depends on the quality of the original data and efficient decision-making about handling anomalies. People never say data conversion was easier than they thought it would be. But that's a good sign because it means the data going into the replacement system was well validated and of high quality, and that's the result of mutual efforts on the part of insurers and their vendors.

An Ineffective Practice Automated Is Still Ineffective

If you're replacing an outdated system, it's likely your processes are just as outdated as the system. The implementation of your new system should include a thorough evaluation of your existing processes with an eye toward improving and streamlining them. No vendor worth its salt will volunteer to rebuild — or to agree to rebuilding — an outdated system or to replicating outdated processes if they're demonstrably ineffective. Every vendor worth its salt will offer constructive help toward bringing your organization productively into the digital world we live in.

Modern systems incorporate preferred workflows derived from usual and customary insurance practices. Customization inevitably leads to scope creep for everyone involved. That means elongated timelines and higher costs, which nobody involved wants. And that's not all: Deviations from standard configurations can make upgrades more complicated, if not impossible. Toolsets can help, but they're not a panacea against high degrees of customization. Worse, the cost, effort and resources required to implement or upgrade highly customized systems can be unjustifiable. If you find yourself looking at extensive customizations, it's likely because your business processes are out-of-date, perhaps because you've had to keep them to accommodate the limitations of legacy systems. The bottom line is that your bottom line will benefit from accepting more standard configurations and/or from your being willing and able to manage some degree of the desired process changes.

A Final Thought

Vendors are susceptible to traps, as well, that can hinder the potential success of an implementation project. But if a vendor has a verifiable track record of implementation success, it's likely that experience will help you and the vendor avoid traps. Granted, no one is clairvoyant, but experience is, indeed, the best teacher. The best-taught vendors will be an asset in ensuring time, budgets, resources and the implementation project will be well managed.

Forewarned is forearmed: Dysfunctional implementations can leave you dysfunctional to the core. 🕒

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DON'T FORCE IT

An old expression says this: “Don’t force it. Use a bigger hammer.” If every challenge were a railroad spike, that might be sound advice. But the challenges posed by the administration of the insurance policy lifecycle are a little more subtle and sophisticated than that.

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