

INSURANCE & TECHNOLOGY

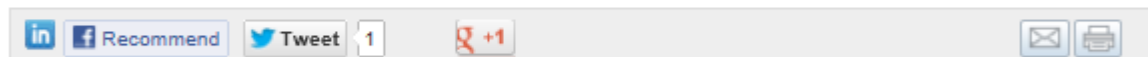
ARCHITECTURE INFRASTRUCTURE

5 Reasons Why Carriers Must Embrace Cloud Computing

By Dave Shively, Mphasis [@insurancetech](#)

Cloud-based solutions are allowing traditional carriers to close the technology gap and get back into the game. Not only do they empower carriers to quickly get on par with their new entrant competitors, they are also able to keep pace as technology evolves, argues Dave Shively of Mphasis.

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The insurance industry has been remarkably slower than other industries in adopting cloud computing and software-as-a-service (SaaS) based models. Insurance carriers continue to rely on legacy core system applications to conduct business rather than leveraging new cloud-based solutions due to concerns about losing sensitive customer information and the costly repercussions thereafter. Instead of replacing the legacy systems, carriers have chosen the path of plastering new applications in front of their outdated systems. They typically select functionality and replace it piece by piece. However, that approach has now reached a point where they have to start addressing the core system issues in order to remain competitive. The costs for these replacements, however, have spiraled out of control while failing to deliver the expected transformations leaving carriers with expensive obsolete technology that can no longer be supported.

[For more on the insurance cloud opportunity, see [Cloud Lets Smaller Insurers Future-Proof Their Infrastructure and Leapfrog the Competition.](#)]

Despite the concerns about data security, if executed well, cloud services can help businesses improve customer satisfaction, financial performance and operational efficiency securely. Cloud technologies are increasingly being seen as business enabling technologies, which can help the businesses not only to bring new business solutions with relatively lower initial investments, but also to maintain and sustain current business and IT operations with relatively lower operational costs. Below are five reasons why carriers must make the transition from legacy applications to cloud-based platforms:

1. Deliver Business Agility

Not only is the cloud a less expensive alternative, it also allows carriers to start up new solutions much more quickly than traditional in-house development or third-party package implementation. With the adoption of cloud computing models, organizations can deliver solutions in months rather than years. This model allows for not only business continuity, but also allows for both business providers and their customers to be more timely and profitable.

2. Reduce Operational IT Costs

As discussed earlier, carriers are now at the point where they have replaced many of their legacy-based applications and are only using a small portion of that initial mainframe capacity. In the end, legacy technologies end up being the more expensive and ultimately a more complex option to support in the long-run. Big carriers were the first ones to adopt cloud and SaaS based solutions. However, given the current economic climate and the cost benefits a cloud-based solution can deliver, smaller players are quickly jumping on the bandwagon as they can now afford these core solutions that were previously not an option resulting in an even more competitive marketplace and leveled playing field.

3. Provide Scalable Solutions

Cloud based IT infrastructure can be easily outsourced and can drastically cut project cycles and standardize IT operations, resulting in an overall reduced IT effort. The sophisticated monitoring and management solutions offered by many cloud computing providers allow IT departments to effectively and efficiently manage the cloud services. With extra cycles available, IT departments can focus on strategic business solutions and scale them quickly.

4. Leverage New Technologies and Applications

Cloud solutions are enabling new carriers to enter the insurance markets and deliver solutions online without the baggage of legacy technologies. They can operate as virtual organizations that are primarily online based. They can also easily integrate new strategic platforms such as mobile into their cloud-based solutions. Configurable cloud-based solutions allow carriers to modify the behavior of their systems within a matter of weeks as compared to legacy carriers that can take months or even years to implement these same changes. In an already highly competitive economic climate, legacy carriers can be at an extreme disadvantage.

5. Replace legacy systems safely and securely

Even though carriers have had concerns about confidential customer information being compromised through adopting the cloud, the truth is that with the recent advances in virtualization and security technologies, cloud applications are very secure. These applications have now matured to the point that they are even more secured in the virtualized-cloud environment than in legacy platforms.

Cloud-based solutions are allowing traditional carriers to close the technology gap and get back into the game. Not only do they empower carriers to quickly get on par with their new entrant competitors, they are also able to keep pace as technology evolves. With technology no longer a barrier, they can leverage their core business strengths to take back customers and win market share.

About the Author: *Dave Shively is principal in [MphasiS](#)' insurance consulting practice.*