

# 11 for 2011

## 11 Great Ideas for Optimizing Your IT Strategy

(When, and if, it is the New Normal)

**CELENT**

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## Celent Insurance Practice

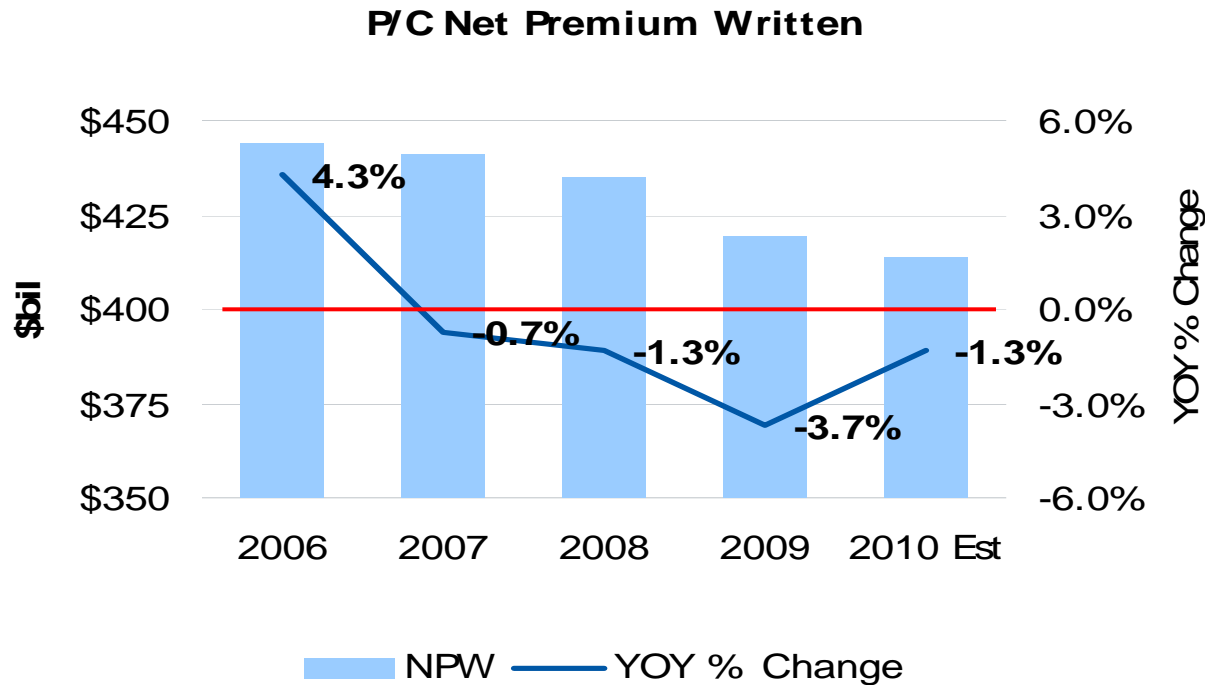
- The leading global insurance technology analyst practice
- A knowledge-based intermediary between insurers and technology vendors
- Offering
  - Research and analyst access
  - Consulting: technology roadmaps, vendor selection, market assessment

## Is today the New Normal?

- What is the US insurance industry like today?
- Why is it that way?
- Is this normal?
- If this is normal, then what?

# What is the insurance industry like today?

- Property/Casualty premium is declining



Source: III, PCI, ISO; Celent estimate

- Life and annuities show the same trend

Why? Because the fortunes of the insurance industry follow the fortunes of the national economy and the financial markets

- Ability to buy insurance depends on income and wealth
- The amount of insurance bought (premium revenue) depends on “objects of insurance” (real assets, human capital)
- Financial market performance drives:
  - Policyholder’s financial value at risk
  - Product performance
  - Investment income, balance sheet strength, capacity

**And . . . for several years, the national economy and financial markets have not been the picture of health**

## One pattern, many sectors

- Peak in 2006 or 2007, major drop in 2008 or 2009, partial recovery
  - Autos
  - Homes
  - GDP
  - Employment
  - Equities
  - Fixed Income

# Is this normal? Pick your US economic scenario

## 2011

Healthy growth restored

More of the same

Weak but real recovery

Double dip recession

## 2012 to 2015

Healthy growth restored

More of the same

Stagnation

Deflation

## 2016 to 2020

US economy has strong healthy growth

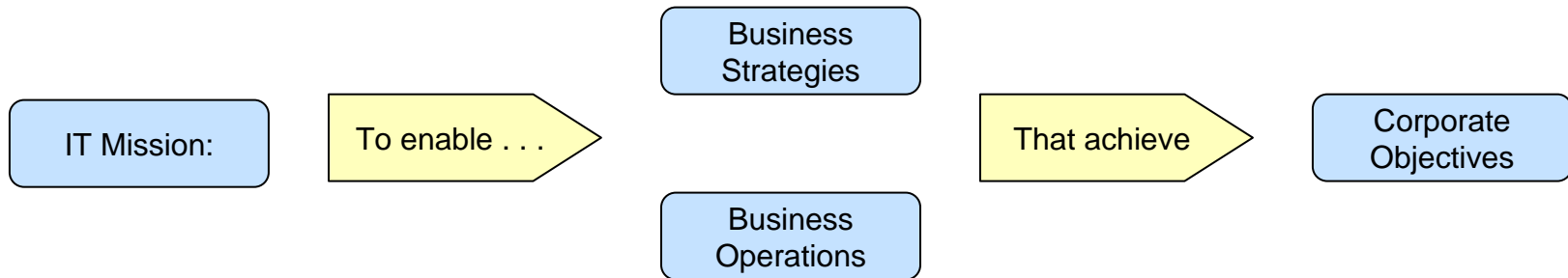
More of the same

Deflation

Widespread default and depression

## If this is normal, then what?

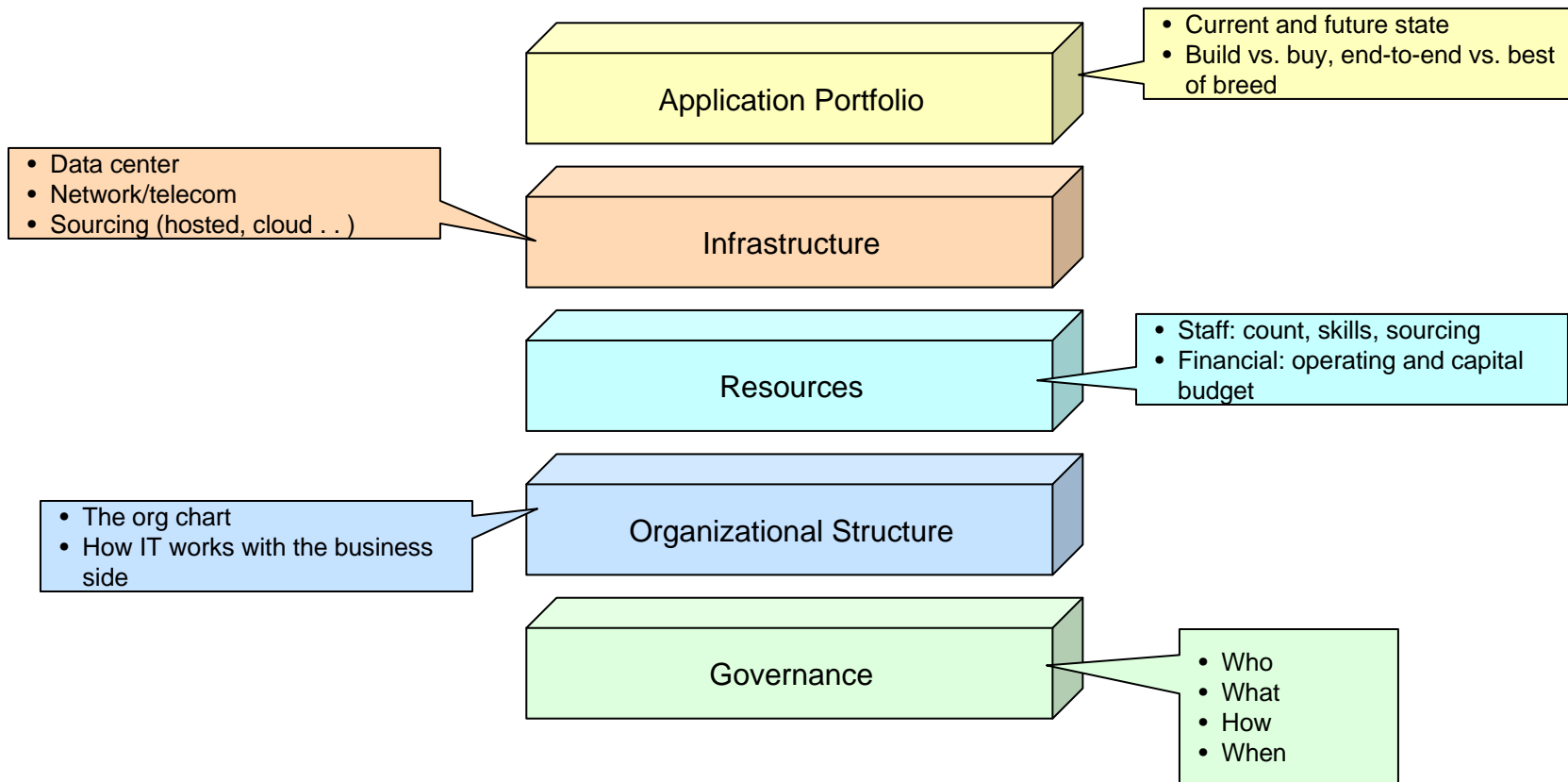
- Celent's Prime Directive for insurance technology has not changed



If this is the New Normal, then it is time to rethink  
**corporate** objectives and strategies

- Size and growth
- Profitability: Expense control
- Profitability: Getting smarter
- Solidity and Risk Management

# IT strategy has five building blocks



## Some Great New Normal IT Strategies

	<b>Corporate Strategies</b>	<b>IT Strategies</b>
<b>Size and Growth</b>	Focus and shrink	1. Tune application portfolio for targeted product / market / channel segments
	Grow in absolute terms	2. Invest in new core systems (organization, resources, application portfolio)

## Some Great New Normal IT Strategies (cont.)

	<b>Corporate Strategies</b>	<b>IT Strategies</b>
<b>Expense Control</b>	Raise productivity	3. Invest in highly configurable apps, supported by more business analysts, fewer developers
	Change fixed-variable cost relationship	4. Increase use of outsourcing resources

## Some Great New Normal IT Strategies (cont.)

	<b>Corporate Strategies</b>	<b>IT Strategies</b>
<b>Getting Smarter</b>	Broaden and deepen use of analytics and business intelligence	5. Data mastery investments (infrastructure and application portfolio)
	Core process operational excellence and consistency	6. Infrastructure investments in rules, BPM, document automation Application investments in modern solutions with built-in rules / BPM / document automation capabilities

## Some Great New Normal IT Strategies (cont.)

	<b>Corporate Strategies</b>	<b>IT Strategies</b>
<b>Solidity and Risk Management</b>	Strengthen enterprise risk management	7. ERM-specific data mastery investments (infrastructure and application portfolio)

## Some Great New Normal IT Strategies (cont.)

9.

10.

11.

And . . .

## Conclusions:

### What insurers and IT groups should do

- Take a position on an economic and an insurance industry scenario
- Rethink, reaffirm or change corporate objectives
- Ask: How can IT follow the Prime Directive?
- Recalibrate (or replace) IT plans
  - Near term
  - Mid-term
  - Long-term

Thank you

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