Outsourcing I.T. Headaches

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Brokers now have the option to outsource their IT infrastructure to third-party specialists called Application Service Providers (ASPs).

Are brokers information technology (IT) specialists? Most would say no. Brokers are insurance professionals with expertise in finding coverage suited to their clients' distinct needs. In fact, for many brokers, if there were a simple way to outsource the headaches associated with software and hardware upgrades, data security, servers and hiring specialized staff, they would gladly do it.

Guess what? There is a way. More brokers are looking at outsourcing their IT infrastructure to a third-party specialist. It's called an Application Service Provider (ASP).

An ASP is a technology firm that handles and maintains all the hardware, software and services necessary to operate your brokerage. It takes care of all upgrades, data security, back-up/redundancy, connectivity, virus and email spam protection in a sophisticated data centre environment. All brokers need is their desktop computers, an Internet connection and printers. Considering the ASP's modern infrastructure and the fact that voice telecommunication can travel alongside data, it is now possible to outsource a broker's phone system. Even "thin client computers," which are less expensive than regular PCs, can operate in an ASP environment.

TRIM COSTS

ASPs have been around for years, but their role has gained more prominence recently for several reasons. First, in tougher economic times, everyone is looking closely at ways to trim costs. Efficiency, both in time and money, is the order of the day. An ASP gives brokers stable IT costing and a per-month price for technology services. That not only frees up time to focus on marketing and new business, but also cuts the costs associated with maintaining a full-time IT person or department.

A second trend is the increased complexity of IT requirements. Whether it is installing hardware, upgrading servers or software, dealing with virus protection or figuring out if the back-up worked last night, many insurance brokers are finding the responsibilities of managing IT onerous. Invariably, there are glitches that creep into a brokerage's technology system, particularly if it is managed on a "part-time" basis. An ASP offers 24/7 access to the latest in leading-edge, continuously updated software and hardware. The expertise, and the responsibility for hiring and retaining that expertise, rests with the service provider.

Another factor is the increased flexibility of ASPs for brokers of all sizes. Today, with modern data centres and sophisticated IT infrastructures,

ASPs are scalable to virtually any size of operation in Canada, from two to 2,000 users. Although small- to medium-sized brokers have tended to make more use of ASPs in the past, Keal, a leading broker management system vendor and technology specialist, is noticing increased interest in this kind of solution for larger brokers. Many of these firms operate in a paperless, online environment and understand the mission-critical nature of their IT functions. The inability to access client data, even if only for a short period of time, can result in sharp drops in productivity. The simple fact is that an hour of down time with 60 employees equals 60 hours of downtime for a brokerage.

For brokers considering making the move to an ASP, there are both advantages and issues to keep in mind before selecting a particular vendor. The first benefit of outsourcing is the potential for much greater productivity. Think about it: if you don't have to dedicate staff to install and administer various systems, what could your brokerage do with the additional time and resources? At Keal, we have found that brokers who use an ASP are more profitable because they can focus on marketing, sales and service — in other words, the real business of providing insurance solutions to clients.

LAYERS OF PROTECTION

Another critical advantage is the ability to access a highly sophisticated data security environment that has many more layers of protection than a typical brokerage can afford. For example, Keal's data centre is powered by TELUS, which offers enterprise-grade servers, fault tolerant systems, backup power systems, redundant connections to high-speed Internet and the latest security data encryption devices. Brokers can feel confident that their data and systems are fully secure and protected in the event of a disaster or power outage. Can you say the same thing for your current disaster recovery processes?

ASP brokers get access not only to leading automation systems, but technology management experts. Their job is to know IT inside out rather than just occasionally troubleshoot problems. Since ASP

firms hire and employ these qualified and accredited experts, it takes a load off the shoulders of brokerage principals, who have traditionally had to seek out internal IT staff. According to IT expert Kevin Wheeler, it is estimated that the technology sector will undergo a "talent shortage" between 2007 and 2012. Getting — and keeping — qualified IT staff will be more difficult for all firms. The costs associated with recruiting and training can be high, to say nothing of the costs associated with the 'brain drain' due to IT employee attrition.

The ASP service also offers the financial opportunity for brokers to "fix" IT costs that would otherwise be variable. A predictable cost structure can result in better budgeting and planning. With an ASP, your forecasted costs are your actual costs. With an in-house IT department,

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the expenses are more variable and extend to labour, equipment, licensing fees, unexpected upgrades and depreciation. Another cost-related bonus of ASP is that it transfers a brokerage's IT expenses from balance sheet to income statement, thus creating a deductible expense that is predictable, directly proportional to the number of broker employees and expensed in the same period it is incurred.

BIGGER BANG FOR THE BUCK

Perhaps the prime benefit of an ASP is that a brokerage can get a bigger IT bang for its buck. Software is upgraded for you and hardware is maintained on a continuous basis. Brokers automatically have access to the latest versions and upgrades. In Keal's ASP environment, for example, Keal can deliver any application, anywhere there is Internet connectivity to any device that will run the Citrix client software.

Brokers should keep a few factors in mind before making the leap to an ASP. First and foremost, the contract is king. Any contract with an ASP should be carefully reviewed according to specific criteria. Brokers should ask for performance guarantees, which should clearly state written "up-time" standards, such as 99.7% (which is Keal's guarantee). Any contract should also expressly note that all data belongs to the broker and that data can be accessed anytime by the brokerage.

Brokers should ask questions about the data centre infrastructure of an ASP. Are there contingency plans for alternate sources of power in the event of a disaster? Are systems monitored 24/7? What is the level of redundancy protection? Another question brokers should ask is this: Where is the data centre located? If the centre is located in the United States, for example, one potential concern could be U.S. government legislation such as the *Patriot Act*. Under the act, communication and data transmission between Canada and the U.S. are subject to the Office of Homeland Security.

Another key issue for brokers to consider is whether or not the ASP in question has direct knowledge of the property and casualty insurance industry. There are many solid application providers in the marketplace, but most have little familiarity with broker management systems, commercial management systems or EDI. If a broker experiences a technology-related problem, should he or she call the ASP or the BMS vendor? That problem is taken care of if the ASP and BMS vendor is one and the same. The ASP vendor will understand the main operating systems that brokers regularly use if they develop and support their own BMS and CMS solutions. It is a one-stop solution.

In the end, it is up to brokers to decide how they want to manage their IT strategy and budget. Some have been successful going the "in-house" route. However, if you are experiencing the headaches of downtime, staffing changes, constant upgrades, server problems and data security/recovery issues, there is another way. The ASP may be an advantage worth considering.