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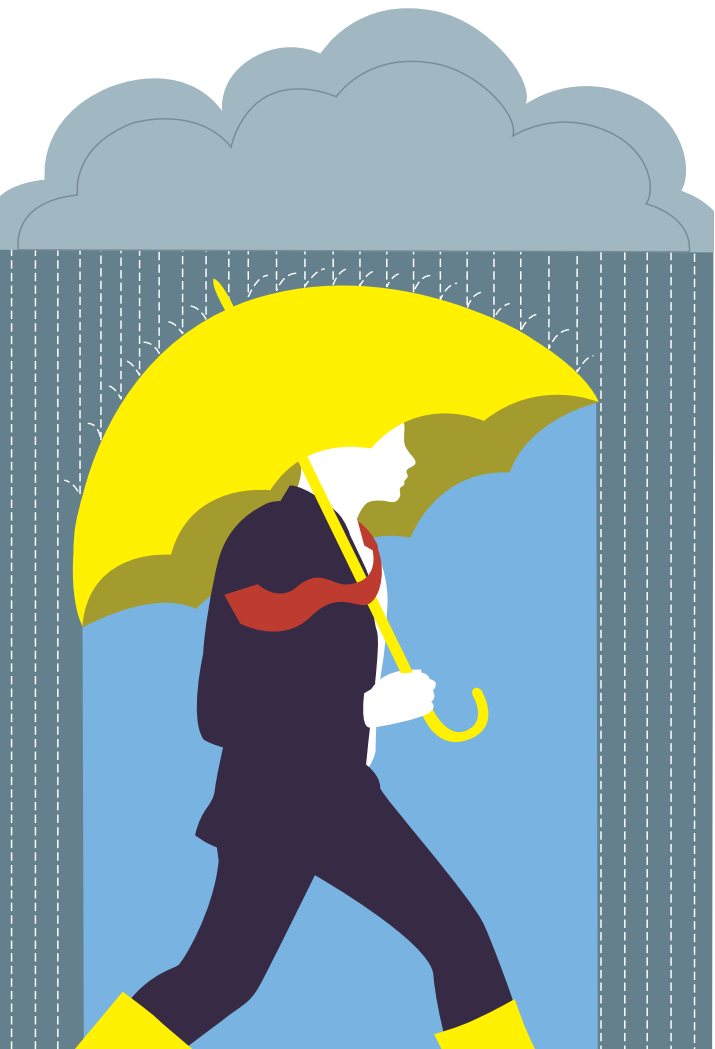
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Shelter from the Storm

An application services model is making life easier for a start-up near the heart of hurricane alley. By Pat Speer



IN EARLY 2005, AFTER BEING pounded by hurricanes Charley, Frances, Ivan and Jean, Glen Distefano pondered the technology model for the soon to be established St. Petersburg, Fla., insurance company.

SUNZ Insurance Co. set up shop this year to provide workers compensation and related liability coverage through a direct sales force to a select clientele—a controlled group of Florida-based professional employer organizations (PEOs), staffing companies and other preferred large risks. After agreeing to take the helm as chief information officer at the company, Distefano thought about the 8,000 businesses and 100,000 jobs lost from 1992's Hurricane Andrew.

“Knowing what a natural disaster can do, and having had experienced multiple hurricanes last year, if we had a disaster in Florida again, could put us out of business before commencing business,” he says. “And as a start-up venture, even one disruption of service would be one too many.”

The SUNZ executive team studied several scenarios, from off-site data storage, to creating redundant systems, to outsourcing all IT and BPO functions. But the team also recognized that their unique customer base—and its ever-changing nature of the vast amounts of data created with each policy transaction—would require a stable footprint. And then there was the matter of control.

“Our situation is unique in that our core markets each require a great deal of regulatory reporting,” Distefano says. “The PEO market in particular is a dynamic one, because employees and client locations come and go as a natural part of their business, and so maintaining large amounts of data, and getting the support that’s needed from a claims and policy reporting side, is especially critical.”

LOGICAL SOLUTION

The most logical solution, decided SUNZ, would be a phased approach that would dole out the most critical aspect of their business—the highly regulated workman’s compensation line, to a traditional business model: an off-site application service provider (ASP). The ASP would not only host the solution over the Internet, but

offer workflow customization and interfaces that would enable SUNZ to control data flow, pull it in from its user base on a daily basis, and manage its complex reporting requirements.

The idea of traditional ASPs has reappeared on the radar screen, according to a recent report by Forrester Research, Cambridge, Mass. "In its first incarnation, vendors had neither a profound understanding of client business issues nor the necessary customization skills," says the report. "This time around, the market is more aligned with the needs of clients who are once again looking for specialist skills and deep expertise around their vertical applications."

Ultimately, Delphi Technology, Inc. (DTI), the Boston-based ASP vendor that could provide that unique customization in addition to traditional off-site hosting and security, got the nod from SUNZ.

SUNZ' phased approach includes implementation of DTI's OASIS workers' compensation policy management, including deployment of eApp, which provides all the tools SUNZ needs to build any insurance Web-based application form, its financial management solution and development of customized data collection and reporting for its policyholders.

Phase one will also include tight integration with the technology already in place at SUNZ' third-party administrator (TPA).

SOPHISTICATED REQUIREMENTS

Phase two of the project will expand the implementation to include interfaces to SUNZ' general ledger and accounts payable systems as well as Web-based products and services.

"The approach underlying these services bears some similarities to the tradi-

tional ASP model," adds Forrester, "because of the somewhat greater complexity of the applications in question and the more sophisticated buying behavior of end users. Therefore, we prefer to call this services market "selective application outsourcing."



Glen Distefano, SUNZ Insurance

Regardless of what you call it, DTI's experience with workers' compensation forms, processes and the unique requirements presented by SUNZ' PEOs didn't hurt.

"We require payroll/audit reporting from our PEOs on a weekly basis, and the data file that is imported to Delphi is highly detailed," points out Distefano, "so customizing it in order to bring it into Delphi and then use that data going forward was critical."

In other words, SUNZ required a system that would give all qualified users access to the data for use in other SUNZ applications.

"Because we are interfacing with an off-site TPA for claims, we are passing policy information and detailed data sets from the WC systems to the TPA, which, in turn, makes the reporting of injuries

and handling and supporting of those injuries much more streamlined because it's available to users instantly," he adds.

NEED FOR SECURITY

The carrier's desire to maintain control over how its workers compensation data was processed, sliced and diced, was only part of the equation, notes Distefano.

Doing business in hurricane-prone Florida, SUNZ also needed reassurance that DTI would offer around-the-clock availability—and redundancy—in SUNZ' case, via an IBM service center hundreds of miles to the northeast.

"Overall, the goal was to reduce the need for specialized IT infrastructure support and free SUNZ up to enter the market, and to administer their books of business in the most efficient way," says Chris Rozanski, DTI's account executive.

"Considering we are a start-up, we were concerned about low cost of entry and relatively short setup time," admits Distefano, "but our decision to go with an ASP was still based 20% on economics and 80% on security," he says.

The unique requirements of selling to a select clientele caused the DTI/SUNZ team to establish a distinctive security system that provided more than just shelter from future storms. Based on work with IBM and HIPAA technology experts, the carrier opted for a secure virtual private network that's highly encrypted and encapsulated.

"To access the system, you have to identify yourself from a secure location—not an Internet cafe," says Rozanski.

Rozanski maintains that overall, the ASP option is a win/win for SUNZ. "At this critical juncture, they can focus on growing the business," he says. **INN**

