



## Moving Claims to the Cloud

*By Jose Tribuzio, CEO of Systema Software*

Today, cloud computing is all the rage. Amazon and Apple have helped to popularize consumer cloud offerings, and TV commercials herald the convenience of the cloud. Not to be left behind, public entities and risk management professionals are now considering a similar transition—particularly for targeted areas such as claims administration—where organizations have seen proven value.

In traditional computing models, software and data resided on an organization's local network. Today, the cloud provides computing resources on-demand via remote servers and data centers. The end user's computer requires only an operating system and Web browser, which essentially serve as a display for the processes that are running on the cloud provider's powerful servers.

### Why the Cloud?

In the current climate of constrained budgets and stretched resources, cloud computing provides relief in the form of affordable IT solutions. Organizations may subscribe or essentially "rent" software and IT infrastructure. Using this model, many organizations have experienced increased efficiency, reduced operating costs, and IT savings.

With technology advancing at an ever accelerated pace, if IT departments were to buy, build, and maintain every application their organizations needed, they'd be stuck with software that quickly became outdated. Maintaining onsite servers and keeping software up-to-date also requires considerable time and effort, leaving little resources left to pursue strategic initiatives.

Through cloud-based solutions, organizations can offload many IT functions, thereby becoming more agile, as in-house IT staff members are re-deployed to enhance and advance business processes. Since this type of solution is paid for on a subscription basis, organizations aren't faced with large upfront capital investments or costly upgrades every few years. In addition, end users can log on from remote locations, increasing their productivity. Cloud solutions are also rapidly deployed, which enables organizations to reap benefits sooner, rather than later.

#### For More on the Cloud:

If you'd like to learn more about how to leverage a secure, reliable, high-performing cloud-based claims solution, contact

Systema Software for more information or to schedule a demo:

Ph: (800) 272-9102, or [sales@systemasoft.com](mailto:sales@systemasoft.com)

## Claims on the Cloud

For public entities and risk managers, the rising cost of claims is a key and ongoing concern. Claim payments represent the single greatest expense for their insurance programs—with an estimated 70 to 80 percent of premiums allocated toward claim expenditures. The U.S. property and casualty insurance industry pays over \$200 billion in claim losses each year and spends nearly \$40 billion just to process claims.

In many cases, public agencies are managing claims using technology that is 10 years or older. Although these entities believe a new system could help to identify areas to reduce costs and improve claims-handling efficiency, they have postponed outlays in new claims software until they can justify the expense with a reasonable return on investment.

Many public entities have taken a “wait and see” approach—hoping newer, more flexible solutions would become available. In the meantime, they have resorted to costly, labor-intensive workarounds to process claims and get the data they need.

Today, however, a cloud-based claims solution can enable public entities to leverage a modern platform and a robust set of claims features and functionality. These solutions are flexible and can be aligned to an organization’s specific claims-handling needs.

When evaluating a potential software provider, public entities should verify that the vendor will perform all system maintenance, upgrades, and support. In this way, organizations always have access to the latest version of the software. Since these solutions are accessed via the Internet, it’s important to ensure the vendor also offers a secure environment. With the right partner, organizations spend little to no time on installation or having to deal with system downtime.

In summary, the right cloud-based solution will offer the following advantages to a claims department:

- Rapid implementation in 3 to 6 months, which enables an organization to quickly reap the benefit and ROI of these systems.
- With an agile implementation process, there is reduced risk of project failure or delay—and less likelihood that the project will go over budget.
- Rather than a large upfront investment to acquire hardware, software, additional IT staff and skill sets, organizations benefit from a more predictive cost structure, and can reduce overall IT spending.
- A speed-to-market advantage enables organizations to introduce new coverage or risk management programs, and quickly deploy and track these initiatives on the claims side—with no additional IT investment.
- Access to an advanced technology platform provides an elegant user experience and contemporary claims-handling capabilities to boost efficiency.
- System maintenance and upgrades are outsourced to the software provider.
- Inclusion of powerful business intelligence in these cloud-based claim systems enables organizations to better leverage data to improve claims and risk management decisions.

## Key Concerns: Data Security, Integration and Compliance

Claim departments need systems that are highly reliable, always up and running. Some vendors team up with cloud partners, who provide, manage, and control the underlying cloud infrastructure. This type of software-cloud partnership ensures both the best claims capabilities and a high-performing cloud environment, backed by a 100 percent uptime guarantee and industry-leading service level agreements.

Here are some other cloud considerations to keep in mind:

- **Security.** Data security is a key concern. Organizations considering a cloud solution should cast a critical eye on the provider's data storage and security practices. An important factor to consider is data location. A "public" cloud provider often offers multi-tenancy arrangements, so organizations are forced to share the same database with other companies. This is particularly problematic as insurance is highly regulated. In the evaluation process, be sure that the provider will provision your organization with a dedicated database.
- **Integration.** Integration with cloud-based solutions can be a challenge, especially since public entities have little or no experience integrating with applications external to their organization. This issue is easily overcome by working with providers who offer pre-built connectors for common types of insurance and risk management business partners and software applications.
- **Disaster Recovery.** A detailed, well-articulated disaster recovery (DR) plan is key to ensure business continuity in the event of a catastrophe or natural disaster. According to Gartner, 40 percent of all companies that experience a major disaster will go out of business if they cannot access their data within 24 hours. A plan should include preventive measures for power, utilities, security, cooling, and fire, as well as contingency practices in terms of data back up, replication, redundancy, recovery, and overall DR plan testing.
- **Compliance.** Be sure providers maintain regulatory compliance for their cloud environment.

## On the Horizon: Business Intelligence Tools

Insurance claims are data-intensive and demand in-depth analysis to improve outcomes. This mindset has led to the development of powerful business intelligence capabilities in claim systems. Both traditional insurance and self-insured programs require access to timely, accurate claims data—sliced and diced in a variety of ways—to ensure effective cost containment, loss control, and risk management efforts.

As organizations look to update their claims capabilities via cloud solutions, they should consider the types of business intelligence tools that these providers offer. Modern cloud solutions enable organizations to quickly deploy and leverage advanced reporting, dashboards, and analysis. With the right capabilities, organizations have at their disposal

the power to turn business intelligence into claims management actions and risk management insights.

For example, using business rules via a cloud-based solution, organizations can identify and route complex claims—that may be more severe, catastrophic, or longer in duration—beyond their four walls to the experts who are experienced in handling those types of cases. Cloud-based solutions also have the flexibility to incorporate the latest predictive criteria that indicate a higher likelihood of claims requiring additional services for medical management, litigation, fraud, or subrogation.

### **Ensuring a Successful Journey to the Cloud**

By spotting exceptions early and routing them to the right resource, cloud solutions enable organizations to improve overall claim results. As we've discussed in this article, there are many other benefits, including a flexible, configurable platform to match an organization's business needs, and freedom from traditional IT constraints.

These advantages make cloud computing enticing, but it's important to take a strategic approach in order to minimize risks. Claims administration is one area where organizations have seen proven benefits—including task and workflow automation and more effective allocation of resources.

To boost value and ROI, organizations must ensure that cloud solutions incorporate business intelligence tools to enhance claims-handling performance. With these guidelines, organizations can modernize their claims operations with next-generation capabilities that help to reduce loss costs and future risk.

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**Jose Tribuzio** ([jose.tribuzio@systemasoft.com](mailto:jose.tribuzio@systemasoft.com)) is CEO of Systema Software ([www.systemasoft.com](http://www.systemasoft.com)). He develops and delivers software solutions for the insurance industry. His vision is to design systems that are robust, elegant, and visually appealing, and that offer great value, flexibility, and functionality.

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### **About Systema Software**

Systema Software provides flexible, comprehensive solutions and services to the insurance industry. Its flagship product, SIMS Claims, is an innovative, browser-based property and casualty claims administration system. Together, our team of Big 4 consulting and industry veterans, experienced software developers, and project managers deliver an architecturally strong enterprise platform, designed for superior speed, scalability, and performance. For more information, visit us online at [www.systemasoft.com](http://www.systemasoft.com).

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**Systema Software**  
60 E Sir Francis Drake Blvd, Suite 209  
Larkspur, CA 94939  
Phone: (800) 272-9102  
Email: [sales@systemasoft.com](mailto:sales@systemasoft.com)