

Business Intelligence: Packaged vs. Custom?

The compelling benefits of business intelligence have made it a top priority for insurance companies. But should property & casualty firms implement the traditional, custom BI solution or explore the packaged, off-the-shelf software option?

Business intelligence (BI) has come to the forefront of technology priorities for property & casualty businesses. Last year, BI ranked in the top three technology projects for nearly half of all insurance companies, according to a Novarica survey reported in *Tech Decisions* magazine. Several key needs are driving this demand for BI:

- **Timely, flexible reporting.** Insurance companies increasingly recognize the value of giving their business users the ability to generate their own reports – including on-demand reports based on ad-hoc queries – without having to put a formal request into the information technology (IT) department. The result is better decision-making thanks to more timely and widely accessible information about the current status of the business.
- **Business analytics.** If comprehensive, timely reporting allows you to see more precisely where you've been, analytics allow you to mine your business data, then analyze all the possibilities of where you can go from here. Sophisticated analytical tools – including predictive analytics – harness enterprise-wide data, allowing insurers to more accurately assess their exposure and explore strategic options across their lines of business and customer segments.
- **Scorecards and dashboards.** Executive decision-makers can no longer wait for monthly and quarterly reports – they need up-to-date information in an at-a-glance dashboard format that gives them an accurate picture of the business, along with BI scorecards that track progress against business goals.

Despite these compelling capabilities and their clear benefits, implementing a robust business intelligence solution can be a costly, risky technology investment for large insurers – and a prohibitive expenditure for small and midsize firms. That's because traditionally, business intelligence solutions for property & casualty companies involve the purchase of several proprietary software platforms for business intelligence, data warehousing, reporting, and analytics. Moreover, these software products usually lack industry specificity – meaning that an insurance company must integrate best-of-breed software tools then customize the integrated solution for its data sources and business requirements. This also entails extensive consulting by systems integrators working in conjunction with in-house IT staff.

As a result, costs for base business intelligence software platforms routinely run into the hundreds of thousands of dollars, with added costs of \$250 to \$1,000 a month for every additional user. Implementation can span many months to more than a year. A custom BI project can easily range from \$500,000 to millions of dollars.

However, in recent years, insurance industry-specific packaged software suites – bringing together business intelligence, data warehousing, and related capabilities – are providing a compelling alternative to custom BI solutions. These “off-the-shelf” solutions typically combine several key components:

- A database engine
- “ETL” – extracting, transforming and loading data from external sources
- The metadata layer – basically, a data dictionary
- Tools for report generation and screen presentation
- Data mining and predictive analytics tools

Given that most insurance companies utilize multiple business systems and databases, the ideal packaged BI solution is designed to play well with others technologies in the enterprise sandbox. Specifically, this means a database platform-independent BI system that interacts with any ANSI-compliant database without difficulty.

Moreover, an effective packaged solution eliminates the biggest issue with custom BI implementations – namely, that every single project “reinvents the wheel.” Simply put, 80 percent of any custom BI project covers the same ground as every other BI implementation in the insurance industry. So a packaged solution gets you most of the way with an industry-specific data model, built-in standard reports, and other insurance-specific features and functions that require minimal customization. The result is an easier, less costly implementation that can take weeks rather than months or years.

Packaged BI software offers other benefits as well. It tends to be well-documented – therefore making it easier to integrate with other systems, augment with new features, and upgrade when the next version of the software is released. Some companies implementing a BI package will take the “black box” approach – they just plug in their data and start using the system – but with fully developed system documentation, companies have the option of customizing their data definitions as needed.

Not only does implementation go faster with packaged software, but upon go-live, there’s a much shorter ramp-up time for using the system. For instance, dozens of industry-standard are typically included, so business users are empowered to generate their own reports from day one.

Arguably the greatest advantage of a packaged, database-agnostic business intelligence system is its ability to easily encompass a variety of business systems and data sources. Insurance companies can continue using existing business systems in their various operations, while using BI to create one central data warehouse gleaning standardized, comprehensive information from all of internal data sources, plus any external industry data the company wants to incorporate. In practice, instead of needing access to multiple policy systems, authorized users can access and analyze any business data they require, all the way down to individual policies in the BI system’s data warehouse.