

Mitigating Quality risks of Insurance Industry

White Paper - Version 1.0



Today's Insurance Industry is faced with various Challenges

- The need to develop and deliver new Software applications and Insurance products to survive in this competitive world
- Ensuring compliance with wide range of regulatory requirements like IRDA-Insurance Regulatory development Authority, NAIC - National Association for the Insurance Commissioners, some state specific insurance regulatory authorities, etc.) On various parameters of regulatory compliances for different functional areas (like policy issue, policy administration, claims administration, agents' licenses, etc.)
- Industry wise Risk Management
- Outsourcing/Off shoring Business and IT services
- The above challenges have created a need to develop new applications/solutions to handle them. As a result, business users are increasingly being required to test and validate these applications to ensure that they can be seamlessly integrated into the IT environment, thus enabling business continuity.
- We analyzed the financials of few of the Top 10 Insurance Companies
- The typical spending on Information technology is about 5% of revenues, and off-shoring the IT services may increase to the tune of 1.5% of revenues.
- We found that on average an employee can generate USD 1.1 million business revenues. Assuming that these employees spend 5% of their time on IT related activities; Insurance Company stands to gain an enormous amount of money if they could minimize this Non-Productive activity of employee time and devote it to income generation activities.
- Hence there exist an opportunity for insurance companies to increase their revenues simply by offshoring their software services.

Traditional IT Application Deployment (Figure1)

| Insurance Company | IT Solution Vendor |
|------------------------|---|
| Required Document | Design |
| Functional Document | Verification Traceability (Development) |
| Testing and validation | |

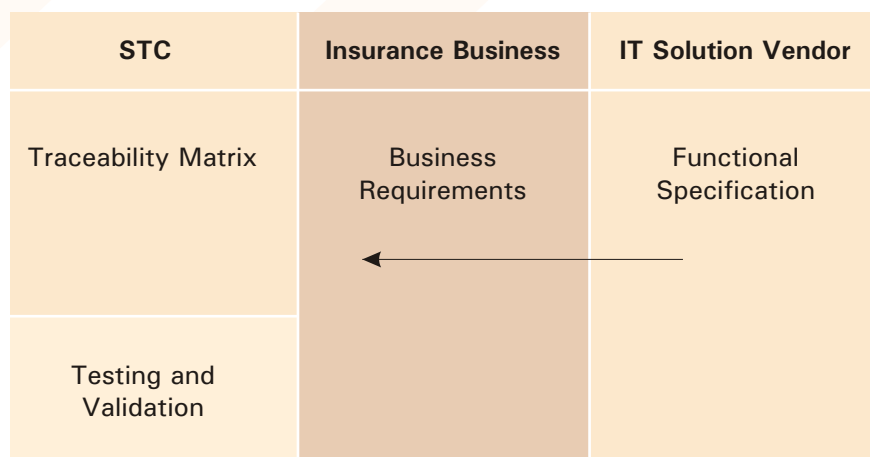
Opportunity for Testing services

A Close look at this approach will arise 3 issues:

1. Business Users is not always ready to document software requirements
2. There is a conflict of interest when the software developer asked to test the product they have developed
3. The business users would typically test only the part of the software they are familiar with, leading to problems in the overall application being ignored

The STC proposes a new methodology in Software Deployment-Testing services, which minimize the business user involvement

Modern software Deployment Model (Figure2)



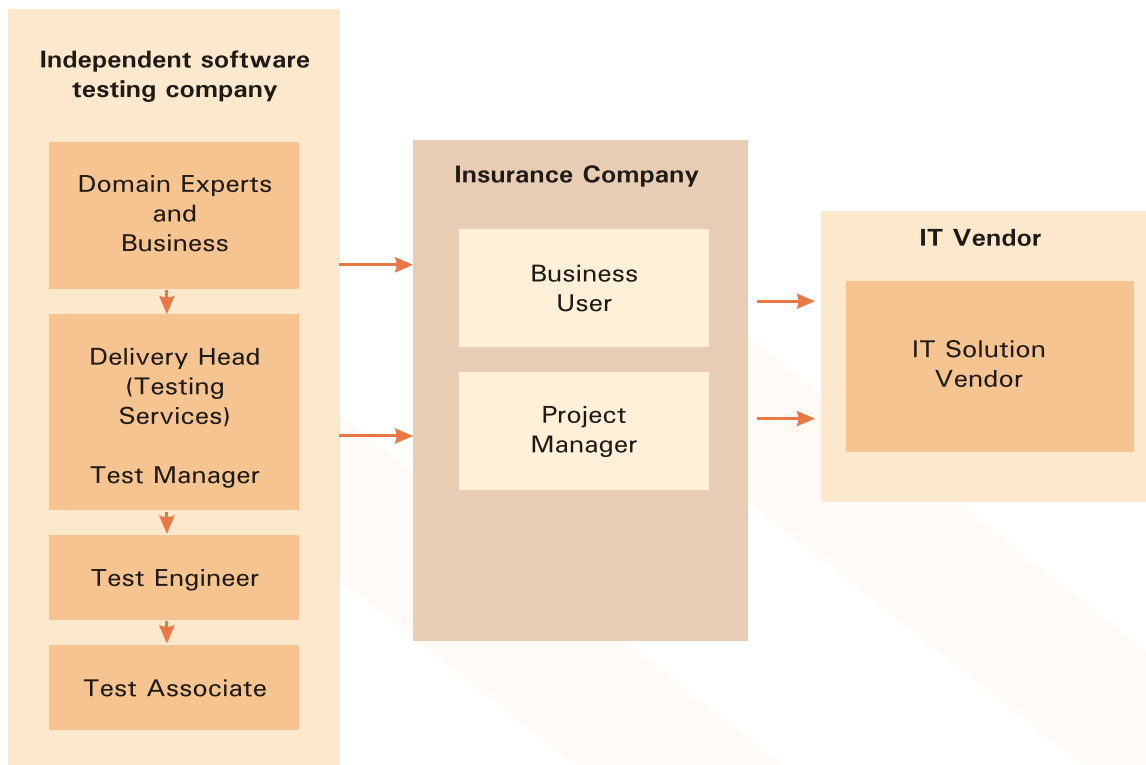
The question that obviously arises is why this model is not followed by many of the Business organizations and Independent Software Vendor (ISV)

- Application developers are technology driven they may not understand the granular functionality of the Insurance domain
- Business users may not frame the document of software requirements
- SIT/UAT needs the participation of business users. Where a technical team can test against technical specifications. But only the actual users can ensure that software meets the requirements and working as expected.
- Comprehensive testing can only be achieved through the Preparation of testing plan, effort estimation, functional analyses, and determining the tools, techniques and approach.

STC Interaction Model (Figure3)

The interaction model would separate the testing services from software solution vendor and give opportunity of testing to an Independent Testing Services Company. When an organization looks for Independent software testing company, it needs to ensure that the company brings the following critical attributes to the table:

- **Domain Skills:** The Insurance industry is highly specialized, and software vendors in many cases cannot figure out the complexities of the industry and its processes. A domain expert can interact with business users and contribute significantly to requirements and specification, ensuring that the software developer works with as complete a set of technical and functional Specifications as possible. This ensures minimal software errors, and enables smooth application rollouts.



- **Independence:** An independent software testing company will bring in rigor, objectivity and transparency, and prevent any conflict of interest in the testing and validation process.
- **Track record:** Independent testing company with the right track record ensures risk mitigation and the implement best practices to the requirements testing and assuring the Functional coverage
- **Competency:** Testing the business requirements is specialized by nature. Software developers, as a rule, do not have the skills in these services and are by nature vulnerable by a conflict of interest while testing.

Conclusion

Re-inventing the modern software deployment process-outsourcing testing services, can immediately result in an Insurance Company adding to the top line by ensuring use of the business users. This is in addition to ensuring error free application rollouts that further add to the business growth and reduce business costs.

About STC

STC ThirdEye Technology (India) Pvt Ltd is India's largest Independent software testing organization providing End-to-End testing Services. We build and operate dedicated India-based testing centers for our customers with the latest computing and data communication technologies, and deliver our services, with high standards of security and confidentiality. Consistent qualities of deliverables under compressed time schedules enable us to get repeat business.

We help Fortune 500 ERP, BFSI, Healthcare, Gaming and Telecom solution providers

We are ISO 9001:2000 certified organization. For more details, please visit us at www.stcthirdeye.com