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## NYMAGIC, INC. AND THE MMO GROUP OF COMPANIES

# A Time for Change

BY CRAIG LOWENTHAL

The past year was a time of significant change not only for the insurance industry, but for me personally as well. After a stint with a large insurance broker, I'm back at a specialty lines, commercial carrier. I've gone from a startup company to one that's been around for over 40 years, and the needs of my new company are very different from that of my former.

I believe 2008 will be a pivotal year for my company, and it will be a pivotal year for the insurance industry as well. The softening market will begin to stabilize this year and late in the year, with the right combination of events, even begin to start hardening. That change, in and of itself, will drive developments in the industry especially when it comes to technology. Insurers looking to increase agility, flexibility and profitability will turn to technology for the answers in 2008, like it is some kind of silver bullet.

For the past decade or so, many insurers have held on to COBOL-based policy administration systems by adding capabilities designed to extend the life of a critical core system. To date that has been a good strategy, however, things are starting to change. Over the next five years or so, carriers need to look at replacing these systems once and for all. A combination of an aging COBOL workforce, employees no longer wanting to program in COBOL, technology advances, competitive advantage, customer expectations of 24x7 real-time access and other factors are going to mandate a shift in strategy.

What's really surprising to me though, is the lack of available integrated solutions for small to mid-size carriers. Insurance technology vendors are proffering software applications with a best-of-breed approach from sun up to sun down, touting them as the next best thing to sliced bread. While this may satisfy larger carriers, small and mid-size carriers want and prefer an integrated solution including policy issuance, claims, reinsurance and billing. There are a few of these on the market, but most are still cobbled together via vendor acquisitions or they are a product of enhancements and technology migrations created from older applications. There are truly less than a handful of vendors with an integrated platform built on current technology. Vendors need to step up and serve this large niche in order to see great dividends by the end of the decade.

Service oriented architecture, or SOA, was the literal talk of the town in 2006 and 2007. But in 2008, SOA concepts, in combination with a new generation of applications may truly be able to

provide competitive advantage in terms of communications, integration and customer service like never before due to a rising awareness in the insurance industry of new technologies and an influx of new talent that will start to bring insurance up to speed technologically. When looking at vendors for any new system initiatives, no one should make the short list unless this is a core capability. For example, new policy administration foundations with XML as key file structures and data transport mechanisms can be used to provide significant flexibility to carriers for years to come. In fact, with Microsoft's release of Office 2007, the standard file formats for Word, Excel, Powerpoint and other modules are no longer binary formats, they are now XML-based.

Last year, I strongly suggested taking a hard look at IP telephony (and remember – you have to partner with a VAR with a great track record and experience!). While that still applies for 2008, I'm extremely happy to see Unified Communications come into the spotlight with Microsoft's recent announcement of their Office Communications Server 2007. This application implements comprehensive voice, video and application conferencing functionality, including instant messaging. With that said, let me slow down a bit. I'm not recommending you go out and implement this yet. In fact, I specifically recommend you do not. The platform is just coming out now and needs to stabilize for six months to a year. A number of vendors have "unified communications" offerings (Nortel, AVAYA, Cisco, etc.), but with Microsoft extending their Live Communications Server 2005 into this new platform by adding VoIP, application conferencing and multi-party video we get the beginnings of a standard and interoperability! Quite frankly, I'm extremely happy just to have voice mail and faxes integrated into my Outlook inbox! I think that provides a much better level of customer service where all communications are in a common place and accessible via your PDA or Blackberry! Add to that WebEx type capability, video conferencing and other key application sharing capabilities and you not only have a great platform for company collaboration between multiple offices, mobile workers and business partners, but a nice foundation for competitive advantage regarding customer service.

In 2008, my focal point continues to be using technology to make it easier to do business with my company. Using that as my guide, I believe will lead to the use of the right technologies at the right time.

