Duck Creek Technologies

Choosing a Delivery Model: A SaaS Handbook

A guide for P&C carriers looking to the future

Solving For Tomorrow

In our viewpoint series, Solving For Tomorrow, we have described a rapidly evolving technological ecosystem in which P&C carriers face a sea change of challenges and opportunities in a future defined by innovation and speed. For the successful carrier of tomorrow, the question of cloud delivery is no longer if, but when - and more importantly, how - to implement such a radical departure from on-premises legacy systems. While “the cloud” has become a ubiquitous term in any modern company’s vernacular, there are actually several differentiated models of cloud delivery available today, each with its own sets of advantages and drawbacks. In this handbook, we aim to cut through the confusion in this space and draw clear distinctions between each of them.

While some form of cloud delivery is key to any business that intends to thrive in the future, choosing the right architecture and service model now may mean the difference between setting your company up for long-term success or simply kicking the can of expensive, time-consuming system upgrades down the line a few short years.

WHAT WE'LL COVER

01 — On-Premises Is Off The Table

02 — Not All Clouds Are The Same

03 — What Model Is Best For Your Business?

04 — The Right Questions For The Right Solution

01

On-Premises is Off The Table

According to research from Strategy Meets Action (SMA), a strategic advisory services firm serving the insurance industry, most insurance core systems sold since 2015 have been hosted in the cloud. However, many carriers we have spoken with over the past few years have brought up two primary objections to adopting a cloud-based hosting and delivery model: losing security and losing control. Both are serious concerns, but in today's enterprise cloud delivery realm, they have been addressed at every level.

Objection #1

"Cloud delivery of my company's IT systems exposes us to security risks we could avoid by hosting on-premises."

The Truth

Hosting enterprise-grade software platforms like the ones employed by P&C insurance carriers requires a large-scale cloud environment, which, in turn, means that the pool of viable partners in this space is limited to the biggest and strongest names in the business, such as Microsoft's Azure and Amazon's AWS.

These vendors offer levels of security that are far superior to what most corporations maintain in their own server rooms or data centers. When you provide cloud hosting t o 90% of the Fortune 500, as Microsoft Azure does, the stakes are simply too high not to. To protect the investments of their customers, the security of their data, and the future of their own business, Microsoft employs world-class security measures to keep Azure as safe a place to store IT systems as Fort Knox is for legal tender.

In addition, a global cloud hosting provider is held to the information security standards not only of their own organization, but of domestic and international regulators who mandate rigorous safeguards for data privacy, firewall protection, encryption, and other key measures. In other words, maintaining the same level of IT security on-premises would cost a carrier a small fortune - not just once, but as a recurring expense.

Objection #2

"Cloud delivery will mean that my team will lose control of their critical systems."

The Truth

Cloud delivery of your own IT systems is not materially different from hosting them on-premises when it comes to controlling applications, data, or any other aspect of your proprietary (or licensed) platform. It is more akin to outsourcing the functions of server maintenance and security to some of the world's top professionals, plus gaining the ability to scale instantly whenever necessary. This arrangement preserves your team's ability to maintain your applications as needed while freeing up resources for other initiatives.

Of course, this scenario refers only to using a cloud hosting provider as the source of your company's servers and IT security. Beyond simply moving your systems infrastructure from one location to another (which is the simplest way to look at basic cloud hosting), you also have an option to outsource the maintenance, upgrades, and other ongoing management functions related to your company's core systems.

This gives your organization greater flexibility than ever before to focus on innovation in areas like user experience improvement, targeted upselling, and product innovation, while reducing the time to market of your new ideas by months or even years. More on that later.

02

Not All Clouds Are The Same

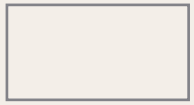
02

Not All Clouds Are The Same

Cloud hosting by itself offers many practical advantages, but the real differentiators in the space come not from the configuration of your servers but from the delivery model you employ to utilize your core systems. From old-fashioned on-premises hosting to simply renting out server space to delivery of full-fledged product suites, there are several options to consider.

The four basic terms you're probably familiar with are on-premises hosting, infrastructure as a service, platform as a service, and software as a service.

Insurance Core Systems



Vendor Manages

Insurer Manages

On-Premises	Infrastructure as a Service (IaaS)	Platform as a Service (PaaS)	Software as a Service (SaaS)
Physical Infrastructure	Physical Infrastructure	Physical Infrastructure	Physical Infrastructure
Infrastructure Hardware	Infrastructure Hardware	Infrastructure Hardware	Infrastructure Hardware
Network Security	Network Security	Network Security	Network Security
Virtualization	Virtualization	Virtualization	Virtualization
VM Management	VM Management	VM Management	VM Management
Infrastructure Software	Infrastructure Software	Infrastructure Software	Infrastructure Software
Business Applications	Business Applications	Business Applications	Business Applications
Software Upgrades	Software Upgrades	Software Upgrades	Software Upgrades
Systems Support	Systems Support	Systems Support	Systems Support
Products, CX's, & Processes	Products, CX's, & Processes	Products, CX's, & Processes	Products, CX's, & Processes

On-Premises

Traditional on-premises hosting involves maintaining a server room or data center at your own facility. Your own team is responsible for everything from security to maintenance to software upgrades, whether you still use a home-grown legacy system or you partner with an outside firm to utilize a modern software platform.

While many businesses still employ this model due to perceived security benefits (which, as discussed above, are likely to be weaker than those offered by top-tier cloud hosting providers), the cost and length of time associated with maintenance and software upgrades can put your business at a competitive disadvantage. While your team of developers painstakingly installs a critical systems upgrade, a competitor with a nimbler hosting model may be rolling out an innovative new product or user experience.

Infrastructure as a Service (IaaS)

Infrastructure as a service simply lets carriers outsource physical infrastructure, network security, and virtualization. This is among the simplest of the cloud hosting models, akin to an on-premises install at a different location - with the added benefit of a few critical responsibilities being taken over by the hosting vendor.

Using this model, your IT staff is still responsible for virtualization management, software upgrades, systems support, building and maintaining integrations to third-party data and service providers via API, and much of the other day-to-day work that makes an on-premises install slow and costly compared to more liberating options. While you do gain benefits of outsourcing some aspects of security such as physical security (although you are still responsible for security items such as patching firewalls, endpoint protection and threat monitoring) and cost efficiency benefits of cloud hosting when employing infrastructure as a service, most the burden of managing your own systems remains.

Platform as a Service (PaaS)

Platform as a service is very similar to IaaS, with the added benefit of virtualization management and infrastructure software maintenance being handled by the hosting provider. This model is one step closer to a true outsourcing of systems maintenance, and, thus, can represent even more of a value-add for carriers looking to focus their internal teams on building new products and finding new ways of winning and retaining business.

However, two of the most labor-intensive and time-consuming aspects of maintaining your own systems remain the responsibility of your organization: upgrading software when necessary or advantageous, and diagnosing and remedying any potential issues across infrastructure, applications, or third-party integrations. The former can, as discussed above, put your business behind your competition in the race to capture greater market share. The latter keeps your team constantly pre-occupied, as they spend large parts of their days managing support tickets.

Software as a Service (SaaS)

Software as a Service is the least resource-intensive cloud delivery solution on the carrier side, as server maintenance, platform management, system upgrades, and support are handled directly by the vendor. SaaS products fully outsource the most challenging aspects of maintaining core systems to specialized firms that dedicate their own resources to keeping the software running smoothly and providing regular updates, while top-tier cloud hosting firms take over responsibility for security and server maintenance.

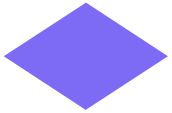
Software as a Service (SaaS)

Various iterations of this model have been adopted by companies ranging from nascent startups to some of the world's largest and most profitable companies, and for good reason: it frees up their teams to focus on operating and differentiating their businesses, rather than simply keeping their IT systems up and running. Creating new products and user experiences - and getting them to market faster than your competition - is easier than ever when the majority of your IT responsibilities are in the hands of your software provider.

Beyond the benefits of outsourced systems administration and scalability on demand, cloud-delivery solutions in which the technological dirty work is handled externally offer your business the freedom to dedicate time and resources to the areas where future growth is most deeply rooted: innovation and speed.

03

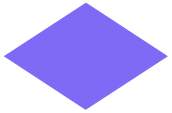
What Model Is Best For Your Business?



What Model Is Best For Your Business?

Clearly, the advantages of a cloud-based software platform amplify as the involvement of your own organization's internal resources shifts further away from systems administration and support toward finding new ways to win and retain customers. While very basic cloud-based offerings do move your IT operations in the right direction, they also leave much of the responsibility for simply keeping things running squarely in the hands of your own employees.

Perhaps most importantly, these models force your organization (or an outsourced contractor like a specialized systems integrator) to make manual updates to your software platform anytime a change is desired or required. At the scale of a major carrier's technology suite, these updates and upgrades can take massive amounts of time, effort, and capital - all of which could be devoted to differentiating your business and winning market share.



What Model Is Best For Your Business?

This is where receiving all of your software, hosting, upgrades, and maintenance as a service offers a genuine path to the future for P&C carriers. With the complexity of managing your company's software suite in the hands of a credible partner, you and your team are free to focus on turning your next great idea into reality.

Now that you are ready to take the next step on your company's path to future success, your next challenge is selecting a partner that can truly deliver what you need to bring your plans to fruition. In the following section, we outline critical questions to ask during your selection process that will enable you to determine with certainty that you are getting exactly what you need to move your business forward on your terms.

04

The Right Questions For The Right Solution

The Right Questions For The Right Solution

The speed with which the SaaS sector is developing, and the associated proliferation of new and expanding iterations of delivery models, have led to some marketplace confusion. The key to selecting the right evolution for your company's legacy systems comes down to knowing what questions to ask. Any vendor should be able to provide clear responses to a few important questions - ensuring that you get the solutions you will need to win in the future.

#1

Is your cloud-based offering materially different from your on-premises offering in any customer-facing capacity? In other words, are any features or capabilities missing from your cloud offering that are available on-premises? Also, how quickly have you deployed your software into production using this model?

#2

Are you responsible for supporting all production incidents, regardless of whether they are related to physical infrastructure, virtual infrastructure, networking, third-party software, or your vendor's software?

#3

Where is your cloud-based platform hosted - with a leading, reputable provider like Microsoft Azure or Amazon AWS?

#4

Typically, scalability is understood as the ability to grow and add resources, including servers, licenses, and users without impacting system performance. But really, it's more than that. It entails being able to do so quickly and economically, as well as temporarily. Because getting everything you need in the cloud from one partner spans infrastructure, services, support and security, it offers the ultimate in scalability. Does your solution offer true automatic scaling to support fluctuations in demand?

#5

Does your team provide full, 100% coverage of all system maintenance, support, and virtualization management? Does any of this carry additional cost? Is the cost to support our product changes (configuration and integration) included in the price, regardless of how many changes we make and how frequently we want to deploy? And does the cost include multiple environments for development, testing and production, and ability to promote configuration changes across environments?

#6

How are updates handled? Do you execute them in the cloud, or is my organization on the hook for costly and lengthy system upgrades even if I transition to a cloud-based solution?

#7

Is the cost for all upgrades included in the price (including the cost/time to analyze upgrade impact, to implement the upgrade in all environments, to functionally test the upgrade, to performance test the upgrade, and to triage all issues found in testing)? Beware of vendors who say they offer a “SaaS-like” offering, because in many cases these “SaaS-like” solutions do not include software upgrades.

Ultimately, though, the most important question that carriers need to ask themselves is:

What fundamental operating model do I want to use to run my business?

Is your team best utilized running a server room, updating software over the course of months or years, maintaining security systems, and handling the issues that inevitably occur while juggling all of those moving parts? Or, would your business be better served by outsourcing all of the technological complexity of your core systems to a specialized provider, redirecting the cost and time saved to positioning your company for growth and success - introducing new products faster, winning and retaining more business, and developing the next generation of customer-centric user experiences?

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Once you have found a platform that offers true flexibility, hosted in a top-tier cloud environment, and maintained and upgraded by your technology partner, not your own IT staff, your organization will be well-positioned to start taking on the exciting challenges the future of the insurance industry holds. After all, technology should catalyze ingenuity, rather than take its place.

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Learn about our SaaS solution,
Duck Creek OnDemand

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