

Giving regulators some SaaS

Washington's renewed appetite for reporting requirements, post-financial meltdown, means technological solutions are becoming increasingly important to the ART sector.

by Nicholas H Teetelli

The past year has been witness to unprecedented events, shaking the financial services industry to the very roots of its foundation, leaving no sector unaffected. In the aftermath Washington has acquired renewed interests in oversight and accountability, which will drive its appetite toward implementing new regulations and oversight measures, as well as a push to significantly broaden regulatory oversight vis-a-vis a federal regulatory body.

During the interim, while the debate for a federal regulator rages on, Washington is hard at work, pushing forward with pre- and post-meltdown measures designed to mitigate and/or recoup financial exposures - like the 2007 expansion of the Medicare Secondary Payor reporting requirements, which took the property and casualty (P&C) industry by somewhat of a surprise this year.

This latest effort targets the P&C sector, requiring liability insurance providers - including self-insurers - to verify, capture and report a plethora of information, much of which previously was irrelevant to the claims administration process for these carriers.

This renewed vigour by Washington is aimed at coordinating benefits, to ensure that Medicare remains as a secondary payor, or the payor of last resort. To motivate carriers toward adoption and compliance stiff fines have been introduced, along with the typical punitive caveats of double damages plus interest - a Medicare signature motivator.

In all there will be significant changes to process, to how claims are handled and to the gathering, collection and periodic transmission of some 150 new data elements. Albeit, that's a moving number to this day, as Medicare hasn't completely figured out what it wants and continues to define what it's looking for.

How does this all translate for the ART industry? A new trading environment saddled with overburdened, burgeoning and expanding reporting requirements, in addition to the day-to-day business routines needed to successfully manage and articulate their specialized portfolios.

Advancing ART technology

With that said, technology and its relevance in the ART sector is growing and gaining a broader foothold in the operations landscape for these specialized risk vehicles. In years past, the challenges to introducing sweeping and comprehensive changes to technology, or to broadening existing technology provisions would have been formidable, requiring extensive programming, perhaps redesign of system architecture and time - a commodity that continues to be in rare supply these days.

Add the associated costs, both hard and resource, and in total a carrier would be staring at a hefty price tag to meet ongoing obligations, while also ingesting the deluge of new regulatory requirements, both present ones and those yet to come. And indeed some captives just may be faced with these challenges if they currently run their operations on mainframe or other legacy-type systems.

The good news, and there may be some, is that unlike their traditional counterparts, ART structures are relatively new to the technology scene. So, for the most part, the bulk of the industry will not have to deal with retrofitting legacy systems, nor have to entertain the challenges of adapting a less-than-flexible system architecture.

The bulk of the ART industry seems to be vested in a combination of sophisticated spreadsheets, home-grown simple databases and a lot of manual process. Some have

moved forward in introducing some of the more modern technology solutions available in today's market.

Obviously the former means of administration, in combination with new financial and other emerging regulation and requirements, will press the limits of their resources in meeting these obligations, making it challenging at best to administer their portfolios, while also addressing reporting requirements and the ongoing obligations for third-party trading relationships.

However, this group does have options available to them in introducing 'industrial strength' technology to the business landscape, as their brethren have done in recent years to similarly meet their challenges. Technology has advanced significantly over the past decade, with some of the most significant milestones being achieved during the past few years.

The dynamics of these advances are converging from different sectors of the technology industry, collectively presenting powerful and scalable system solutions, software design and architecture that is more easily managed to address current and emerging business requirements and the advances in the Internet's web infrastructure, convenient access and delivery. Perhaps the most notable accomplishment of these advances is the cost reduction alternatives they offer.

Many of these newer solutions are delivered through a 'Software as a Service' (SaaS – pronounced 'Sass') platform, which takes further advantage of cost-balancing the products they offer. Unlike in former years, where customers had to make significant investments in hardware, IT infrastructures, resources and other costly commitments to support a system solution, these responsibilities are borne by the SaaS vendor, and included with the service package you would be offered.

Although the hardware is still needed, therefore the cost still incurred, the way the cost is bundled delivers savings to the end customer, while also providing a superior hardware configuration. The hardware provisions these vendors typically implement is well beyond the requirements

needed to support any one particular implementation, offering the customer an enhanced hardware architecture, typically well beyond what they would have provisioned for themselves.

Additionally, these vendors maintain operations through world-class data centres, abundant with redundancies to ensure business continuity and disaster recovery. Moreover, because the SaaS model is effectively a 'shared' environment (clients share these hardware and service resources in common) the per capita cost for each client is competitive, meaning clients benefit from cost averaging, while also getting a bigger bang for their buck.

Need and practicality merge

Interestingly there appears to be a melding of need with practicality at a time when advances in technology appear to be sufficient to carrying the day, offering competent solutions, global access and delivery and cost offerings that bring customers into the folds of what was otherwise out of the purview of acceptable cost justification, extending an opportunity to introduce technology to their business model.

In the wake of the financial market meltdown, and what is shaping up to be a tsunami of legislation and regulation that will soon be upon the doorstep of the ART industry, the advances in technology, servicing capability and cost-effective solution offerings could not be more timely. Seemingly, the relevance of technology could not find a more profound timeline to bridge these gaps.

The fundamental focus of technology has always been rather simple. Automate, simplify business processes, do more business with fewer resources and connect more easily with customers. Unfortunately, until recent years, web-driven applications lacked the horsepower to deliver a viable trading environment that could speak to and provide the capabilities to effectively streamline business process and its requirements.

However, with the significant server expansion to the internet's networks, enhancements to security and a new generation of powerful data-driven web

applications, specialized risk vehicles now have viable options to level the playing field and manage their obligations - and it appears this could not have come at a better time.

The months ahead, and the years that follow, will indeed prove to be challenging for the ART industry. There will be much in the form of new regulation, new reporting requirements suggesting an era of

micro-supervision. With these new, more powerful tools and delivery methods, technology has gained more relevance as a practical and viable countermeasure toward managing the delicate balance between running your business and meeting regulatory and other obligations. CR

Nicholas H. Teetelli is CEO of Maple Technologies