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If You Aren't Testing Your Technology, Who Is?

This is the latest in a series of guest columns by professionals in organizations that are associate members or alliance partners of AAIS. Any opinions or assertions expressed in guest columns are those of the author, and do not necessarily reflect the views or positions taken by AAIS.

Everything used to be so simple. There are many people who think advancements in technology are the best things to ever happen; others think they're the worst things to ever happen.

Few will dispute, however, that advancements in technology have made things more complicated.

It's no different in insurance. We've all seen tremendous advances in insurance technology in recent decades.

In 1985, few, if any, insurance companies were thinking about how to let consumers and agents quote and issue policies over the Internet. But, some 20 years later, some carriers were allowing agents and policyholders to do exactly that.

Today, 30 years later, most insurers allow agents and/or policyholders to quote and issue policies, print their policy related documents, and execute other transactions, such as premium payments.

"Self-service" was the first big step in the transformation of insurance technology from a "back office" function to an integral part of the customer experience. This transformation continues with the extension of functionality to mobile devices and the use of ever more refined analytics.

Testing Overlooked

The transformation of insurance technology has been enabled by a proliferation of policy administration system vendors who generally provide quality systems at affordable prices.

Many insurers, however, do not have the in-house expertise to fully understand what it takes to operate such highly technical systems. In particular, software testing is commonly—and surprisingly—overlooked.

In particular, budgets for software testing are often targeted for cuts or disregarded entirely by senior executives who do not understand that testing is an integral part of owning and operating a software system.

Functions for generating rates, rules, forms, validations, and printed documents, as well as portals and mobile interfaces, need to be tested regularly, certainly with every system change or new release.

Insurance companies are assuming a great deal of unintended risk by not testing their computer systems. Untested system changes can lead to unplanned system downtime, as well as the possibility of policies being issued which do not meet a carrier's requirements, thus putting its profitability at risk.

In many states, insurers are required to show proof of testing and control over system changes as part of their audits. Companies with improper testing can be found in non-compliance.

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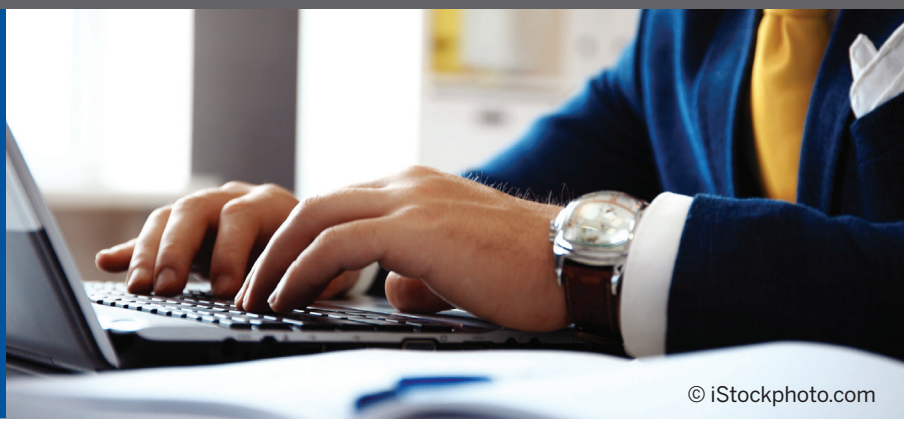

Not Included

Many insurance executives seem to assume that testing is included as part of the purchase of a system. That's not necessarily the case, and even if it is, vendor testing may not be sufficient.

To be sure, many insurance technology vendors are very good at what they do and provide high quality systems and solutions.

But should your company really be letting the software vendors do the final acceptance testing on your rates, rules, validations, and other system functions? That would be comparable to having a novelist proofread his or her own book.

Software vendors see their work from their own perspective, not from the perspective of an insurance company.

Keep in mind that we are not talking about testing a system for software bugs that a software vendor can detect. More than that, your company needs to test a system to make sure your rates and eligibility rules are generated correctly, something a software vendor could not detect unless it knew your business very well.

For example, what might it mean to your company if the wording printed onto your policy declarations is incorrect? What if an extra zero is printed on a coverage limit, and the coverage is now declared at $100,000 instead of $10,000? What if this extra zero is printed on 100, 1,000, or 10,000 policy declarations?

In a best case scenario, you would find the issue and still have the cost of reprinting and mailing thousands of replacement declarations.

In a worst case scenario, a catastrophe occurs and you suddenly find you have many policyholders expecting bigger payouts than you intended or priced for. This is not just a hypothetical example. Things like this happen more often than you might think.

User Experience

Apart from the potential financial losses that can result from undetected errors, companies need to be conscious of the user experience provided by their systems.

Users do not like systems that are difficult to use or repeatedly have issues. If you market your policies through agents, how long will they deal with issues in your system before they quit using it?

Also, untested software updates can lead to unplanned system downtime. More than one company we know has installed software updates without thoroughly testing them, and ended up with two to three days of system downtime.

In some cases the insurance companies did not even know that their system was having problems until an agent became frustrated enough to contact the company after two days. This can be a huge black eye on an organization and damage its reputation with agents and policyholders.

Cost of Business

Software testing does not always prevent these types of problems, but it will catch close to 99% of them if done correctly.

Large insurance companies usually have a very good understanding of the role testing plays in software development. They understand that testing is part of the cost of running a system, but that the possible cost of not testing is far greater.

Large companies maintain large internal teams for quality assurance or testing, or contract with professional software testing providers. But too many smaller companies have adopted technology without understanding the importance of testing. If your company cannot afford to test a system, you probably should not be running the system at all.

To assume that a system works correctly when delivered from the software vendor is a huge risk and an error in judgement. This goes well beyond having confidence in the quality of your software vendors, because your own financial condition and reputation are at risk.

In many cases, problems that arise are not system errors at all, but result from your staff failing to communicate your rates, rules, and other requirements clearly communicated to the vendor's staff.

Any insurance company that runs a computer system has to realize that testing has to be part of its plan and budget for operating the system. ■