Benchmarking for Insurance Company IT Operations

Our Ward benchmarking data and industry insights uncover opportunities to improve the efficiency of your IT operations.

IT systems in the insurance industry continue to be heavily legacy based. Many companies are facing massive technology initiatives while being challenged to both manage the associated costs and maintain efficient operations. More than ever, we hear company leaders asking:

- Are our IT expenses too high?
- What is the cost benefit for changing our IT systems?
- Are we staffed appropriately to be cost effective and efficient?
- Should we outsource any of our IT functions?
- What is the return on investment for our new systems implementations?

Benchmarking sharpens your perspective on performance

Benchmarking helps companies capture the full picture of how expenses and staffing levels compare relative to industry peers and is a key component in identifying and justifying opportunities to maximize resources and fund growth strategies. We are the leading provider of benchmarking studies for the insurance industry. We analyze expenses, staff levels, compensation, operational metrics, and business practices for all areas of company operations. From our proprietary data, we deliver industry insights that help you make fact-based decisions about improving your operational performance.

Industry-specific comparisons to measure your IT operations

Our Ward benchmarking solutions are specific to the insurance industry. Our IT benchmarking program delivers data that empowers you to:

- **Assess** IT resource levels, consulting, hardware and software expenses, and operating practices compared to the IT function at other insurance companies
- **Analyze** the level of capital expenditures and discretionary versus nondiscretionary spending
- **Optimize** the cost and effectiveness of the IT operation
- **Evaluate** system platforms and IT practices against other insurance companies to determine the consistency of IT investments and the results of those investments

70% of policy administration systems are considered legacy systems.

On average, it takes **4.5 years** to complete a policy administration system replacement project.
We dive deep into your IT operations to deliver meaningful and actionable data.

Our IT benchmarking program for life, health, annuity, retirement insurers includes two levels of analysis for a holistic perspective of IT performance across the organization.

Level 1: Analysis of 21 Functional Areas
- Applications
  - Applications Architecture & Design
  - Application Development
  - Cloud / SaaS
  - Other
  - Application Maintenance
  - Cloud / SaaS
  - Other
  - Quality Assurance / Testing
- Infrastructure
  - Infrastructure Architecture & Design
  - Cloud Solutions IaaS / PaaS
  - Network Administration
  - Mainframe Support
  - Server Support
  - Telecommunications
  - Database Administration
  - Disaster Recovery
  - Project Facilitation
- User Support
  - Desktop Support
  - Help Desk
- Corporate IT
  - Information Security
  - Procurement / Outsource Management
  - Financial Management
  - Executive

Level 2: Analysis of Business Units Supported by IT
- Digital (Portals, Mobile, Internet)
- Personal Lines
- Commercial Lines
- Life Insurance
- Annuities
- Group Insurance
- Claims
- Billing
- Other

Sample deliverables
Quickly assess the overall performance of your IT operation with a snapshot view of key IT metrics:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Company A</th>
<th>Core Benchmark</th>
<th>Total Universe</th>
<th>Range of Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Expense as a % of GPW</td>
<td>4.00%</td>
<td>3.00%</td>
<td>3.00%</td>
<td></td>
</tr>
<tr>
<td>IT Expense as a % of Total Co. Expenses</td>
<td>8.00%</td>
<td>9.00%</td>
<td>10.00%</td>
<td></td>
</tr>
<tr>
<td>IT FTEs per $100M in GPW</td>
<td>15.00</td>
<td>16.00</td>
<td>14.00</td>
<td></td>
</tr>
<tr>
<td>IT Consulting per $100M in GPW</td>
<td>7.00</td>
<td>4.00</td>
<td>8.00</td>
<td></td>
</tr>
<tr>
<td>Personnel Expense per IT FTE</td>
<td>$123,000</td>
<td>$100,000</td>
<td>$110,000</td>
<td></td>
</tr>
<tr>
<td>Hardware Expense as a % of GPW</td>
<td>0.30%</td>
<td>0.20%</td>
<td>0.20%</td>
<td></td>
</tr>
<tr>
<td>Software Expense as a % of GPW</td>
<td>0.40%</td>
<td>0.70%</td>
<td>0.70%</td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures as a % of GPW</td>
<td>1.60%</td>
<td>0.30%</td>
<td>0.50%</td>
<td></td>
</tr>
<tr>
<td>Total Company FTEs per $100M in GPW</td>
<td>150.00</td>
<td>120.00</td>
<td>130.00</td>
<td></td>
</tr>
</tbody>
</table>

Get clear perspective of your improvement opportunities.

Measure your IT operations compared to selected benchmark groups:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Total Company</th>
<th>Core Benchmark Group</th>
<th>High Performer Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Expense as a % of Premium</td>
<td>4.00%</td>
<td>3.00%</td>
<td>2.00%</td>
</tr>
<tr>
<td>IT FTEs per $100M of Premium</td>
<td>10.00</td>
<td>13.00</td>
<td>15.00</td>
</tr>
<tr>
<td>IT Expense per Total FTE</td>
<td>$35,000</td>
<td>$29,000</td>
<td>$27,000</td>
</tr>
<tr>
<td>Ratio of Staff to Mgmt - Span of Control</td>
<td>4.00</td>
<td>4.00</td>
<td>6.00</td>
</tr>
<tr>
<td>IT FTEs per 100 Total FTEs</td>
<td>18.00</td>
<td>20.00</td>
<td>10.00</td>
</tr>
<tr>
<td>Consulting Expense of a % of Premium</td>
<td>0.60%</td>
<td>0.55%</td>
<td>0.50%</td>
</tr>
<tr>
<td>Equip. and Other Expense as a % of Premium</td>
<td>0.40%</td>
<td>0.30%</td>
<td>0.20%</td>
</tr>
<tr>
<td>Voice Comm. Expense as a % of Premium</td>
<td>0.15%</td>
<td>0.20%</td>
<td>0.10%</td>
</tr>
</tbody>
</table>

Analyze the efficiency of your IT function and track year-over-year performance.

Network Admin Expense as a Percent of Gross Premiums

<table>
<thead>
<tr>
<th>Year</th>
<th>Company A</th>
<th>Core Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>0.02%</td>
<td>0.00%</td>
</tr>
<tr>
<td>2018</td>
<td>0.03%</td>
<td>0.00%</td>
</tr>
<tr>
<td>2017</td>
<td>0.04%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>

For more information, please visit ward.aon.com.