



## ◆ APPLICATION NOTES:

# THE INSURANCE INDUSTRY AND BRAND-EQUIVALENT TRANSCEIVERS

Insurance underwriters have been analyzing data and evaluating risk for centuries ever since the first Phoenician ships set sail on the Mediterranean Sea. And today's leading insurance companies are not strangers to data processing and analytics. The difference today is that advances in capturing, processing and analyzing data make it critical for insurance companies to keep pace and leverage these advances to capture or maintain market leadership. Insurance Companies that embrace these new data strategies can have the upper hand in a very competitive and ever-changing market.

There are five key technology-related issues that Insurance providers are facing today that have to be addressed as they consider their information technology (IT) investments:

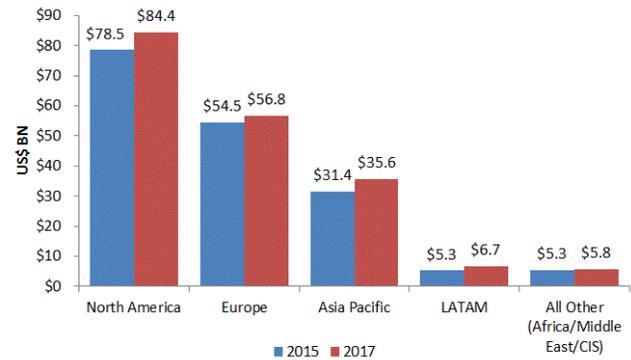
- 1. Customer Engagement.** Information is pervasive inside and outside the walls of corporate America. In fact, the consumer today has never been more informed and inclined to do pre-shopping before a purchase. This tendency has led to disintermediation of the traditional insurance broker network leaving many of the largest insurance companies evaluating alternate channels to get reach their buyers. Even more, buyers talk. And they are talking even more given social channels like Facebook, Pinterest. So any customer engagement strategy must include these high-influence communities.
- 2. Mobility.** Consumers live increasingly busy lives. They are impacted by their jobs, family demands, and charity involvement, to name a few. People are "stealing" time between scheduled tasks to manage other essential parts of their life. By default they do this through their mobile handsets. Progressive insurance providers need to have a technology strategy to engage with customers and prospects via these devices.

- 3. Big Data / Analytics.** Again, insurance carriers are not new to the advantages data provides. They recognize that harnessing data can provide them with valuable insights, action plans and a competitive advantage. The problem is that most data processing infrastructure installed within the last five years is not capable of scaling to the performance and scale required to leverage the data sources available. New approaches are needed.
- 4. Agent Experience.** Although channels have expanded and become more complex, the largest Insurance carriers still depend on agency representation for a large percentage of their business. Any technology advances must extend through hubs at major metros and down to the agency; providing the agent with more tools, training, customer relationship data, promotional incentive programs, etc.
- 5. Security.** We live in a world where all cyber activity is at risk. The onus is on the corporation in which customer's have entrusted their financial data to protect this trust. Hacking techniques today are more ingenious and sinister. It takes dedication and focus by IT leaders to stay ahead of these threats and provide appropriate protection to consumer and company data.



It is clear that the IT leaders in the Insurance industry have a tough job in addressing all the above issues and more in positioning their business ahead of their competition. Saying that, these tough decisions are being made and investment is proceeding. Gartner Group reported that Big Data investment alone will translate to \$232B in IT spending through the end of 2016 across all sectors. Celent Research projects that North American insurance companies will average over \$80B per year in overall IT spending for the next three years.

Global IT Spending by Insurance Companies



But IT leaders know that spending is not done without significant planning and effort, and often spending is offset by major savings initiatives. The Price Waterhouse Coopers 2015 Insurance Industry Report noted at least four areas of ongoing IT cost savings (see box).

More progressive Insurance industry IT leaders have searched and found a relatively unknown, but simple method to accrue both value and savings in their network. This often occurs during the planning stage for network migration or new deployments when considering new architectures and cost tradeoffs. The great thing about this savings method though, is that it can be applied immediately to save up more than 30% on your data equipment hardware, regardless of whether purchasing for new or older platforms.

What is this cost savings method? It is to simply examine all areas of expenditure to build the desired architecture regardless of past sourcing agreements with vendors. After breaking out each area, rank them from highest to lowest expenditure. Most IT Heads are surprised to see that in the data hardware category that one of the highest expense "buckets" is not the compute, storage or networking platforms, but instead the interconnect between these devices. These interconnecting links which include the fiber optic lines and the transceivers on both ends often can account for 30% to 50% of the overall data equipment expenditure.

More than one insurance company has turned their attention to solving this problem by engaging InterOptic (IO). IO was founded by long-term optical experts, many of which helped define the plug-n-play optical standards we see today. The mission of the company was to be the leader in the data platform optical interconnect market and to unlock the value of these standardized designs for their Enterprise customers. These forward-thinking Insurance companies have been able to integrate IO's Tier 1 OEM brand-compatible transceivers across their networks and drive many \$10's of millions of savings in the past three years.

## IT RATIONALIZATION & CONSOLIDATION

- ◆ Carriers have targeted 10% to 30% reductions in maintenance budgets through license reduction, hardware/software rationalization, or service contract elimination.
- ◆ Identify and address vendor tool redundancy to rationalize the number of vendors.
- ◆ Decrease FTEs required supporting the IT portfolio due to the simplification of the environment.
- ◆ Improve productivity by re-deploying staff to other activities that advance the business.



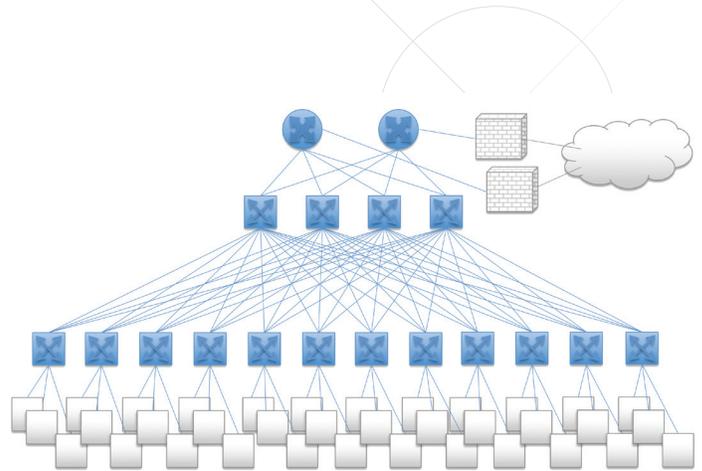
# InterOptic

By Advantage Optics

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Let's look at the example network to the right that represents a typical spine-leaf (folded Clos) network segment in a data center. Interconnection to servers or storage is assumed at the bottom of the diagram. The latest OEM platforms are assumed in a top-of-rack twelve-leaf installation routed back to four spine switches.

It is clear that the OEM option is costly and by utilizing IO brand-equivalent transceivers significant savings can be accrued. And it's not just this 20% or greater savings on new installations, as IO can source all your transceiver needs, including those parts that the OEM has discontinued. Now you can keep your network equipment in service longer because you are not coerced to upgrade installed and working equipment just because of lack of transceiver availability. Yes we are here to help you meet your all your data interconnect needs!



| ITEMS   | COUNT | PRICE    | EXTENDED           |
|---|-------|----------|--------------------|
| N6004EF w/2 40Gb Line Cards                   | 4     | \$49,000 | \$196,000          |
| N6001 1U Frame                                | 12    | \$28,000 | \$336,000          |
| 40Gb LR4L                                     | 96    | \$3,117  | \$299,232          |
| 10Gb LR-S                                     | 576   | \$988    | \$569,088          |
| 10Gb SR-S                                     | 576   | \$338    | \$194,688          |
| <b>TOTAL:</b>                                 |       |          | <b>\$1,595,008</b> |
| <b>OEM Transceiver Cost Percentage: 66.6%</b> |       |          |                    |

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| N6004EF w/2 40Gb Line Cards               | 4     | \$49,000 | \$196,000          |
| N6001 1U Frame                            | 12    | \$28,000 | \$336,000          |
| AO 40Gb LR4L                              | 96    | \$2,150  | \$206,400          |
| AO 10Gb LR-S                              | 576   | \$690    | \$397,440          |
| AO 10Gb SR-S                              | 576   | \$230    | \$132,480          |
| <b>TOTAL:</b>                             |       |          | <b>\$1,268,320</b> |
| <b>IO Transceiver Savings: 30.7%</b>      |       |          |                    |
| <b>Overall Data Center Savings: 20.5%</b> |       |          |                    |

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