

## The Pros and Cons of Web-Based Risk Management Information Systems

In the past few years we have seen a move to deliver technology solutions entirely via the web. Unlike client server technologies the latest versions of web-based technologies exist purely on the internet. All functionality is accessed through the Internet with the only client side technology being the browser itself. Most of these solutions are hosted by the vendor providing a bundled technology solution. This delivery model has been referred to as software as a service. Users pay for the technology as they use it, in the same way you would with a service. Software as a service is increasingly being seen among risk and claims management information systems with many vendors moving to only web-based solutions. There are potential benefits to users from this approach, but there are also downsides. Users should evaluate their own situations to determine the merits of a web-based approach versus a more traditional client-server approach.

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### Pros

- **No maintenance or hardware:** The bundled approach removes the need for in-house technology support for the claims software program. There is no hardware or additional database licenses needed to use the technology. All users require is a browser and internet connection.
- **Rich functionality:** A major benefit of software as a service is the ability to access specialist or “nice to have” functionality which might be out of reach in a client-server model. The service based pricing structure makes the use of this specialist functionality more feasible.
- **The most up-to-date software releases:** all users are on the most up-to-date version of the software. This provides users with the latest technology rather than being stuck on old out-of-date technology platforms. It also makes support of the technology easier for the vendor, as only one version of the software is in use. This reduces maintenance and support costs for the vendor. Users should receive more knowledgeable support.
- **Low upfront cost:** software as a service is typically priced as a periodic subscription fee. This provides a lower upfront cost to the purchase of the software. It also spreads the cost of the technology evenly across different fiscal periods. This model has significant benefits for the vendor in providing an annuity revenue stream, but it can also have advantages to the user in providing a low cost of entry and a stable, regular annual cost.
- **Accessibility:** users can access the software and the centralized database from anywhere with an internet connection. Users can access the software remotely allowing employees in different locations to be working off the same software without the need for internal and/or virtual networks. With improved connectivity speeds and the greater availability of wireless internet connections, users are increasingly able to connect to web-based applications while on the road.



### Cons

While software as a service promotes the latest in web-based technology, there are drawbacks to this model which buyers should be aware of in evaluating risk management information systems.

- **Cost of ownership:** while the initial license fee of the software as a service model may be lower, the total cost of ownership will be greater than a client-server approach. The latter involves a one-time license fee with annual maintenance costs of approximately 20% of the license. Once you have a paid for the product, the on-going costs are much lower. Under the software as a service model you continue to pay a subscription fee each year without ever truly owning the software.

- **Stability and support of vendor:** as you never truly own the software, the user becomes dependent on the on-going presence and support of the vendor. If the vendor fails or ceases to offer the service then you lose your application and potentially the data with it. Most vendors will commit to provide you with your data in that situation, but without the application it may not be in a useable format. At the very least you will need to procure an alternative application and transfer your old data into it. Under the client-server model the user is less dependent on the vendor. Once you have licensed the software you can continue to use it even if the vendor is no longer in existence. The disruption of a vendor failing is limited to the maintenance of the product and an absence of future upgrades. This will probably necessitate a change of software at some point in the future, but on a timeline which is consistent with your normal software procurement cycle.
- **Limitations on customization:** under the software as a service model, one size fits all. Everyone is working off the same instance of the software. Customization is limited to the flexibility built into the standard software. Many of these applications are using service oriented architectures to allow the software to be configured to the user's own situation. This can only go so far. Without customization, users will inevitably have to adapt their business processes to meet the design of the software.
- **Security:** this is often cited as a reason why companies do not want to use web-based applications. In reality the concerns are probably exaggerated. However, maintaining and transmitting data on applications outside your own firewall is less secure than maintaining the data behind your own firewall.
- **Availability:** one of the attractions of web-based software is its accessibility over an internet connection. This can also be limiting. Without any client side technology, users require access to the internet to use the application and reach their data. This is not always possible, especially for field claim adjusters who spend a large portion of their time traveling and are often in remote locations without reliable internet access. A client-server structure which allows the adjuster to work on a client side version of the software and synchronize back to the server database periodically may provide greater access and availability.
- **Integration:** to operate efficiently claims systems require integration to other systems within the company: accounting, human resource, dispatch, CRM, etc. It is much easier to connect systems which are part of a local network than to connect to external systems. Data transfer can be achieved by periodic batch uploads, but this will not provide real-time information which is necessary in certain situations, e.g. tracking shipments and driver locations. Web-based applications are using web services and xml data standards in an effort to achieve real time connectivity. This approach provides for a common language to understand the data sets transferred between systems and the necessary protocols to allow the transfer. This approach is still in its infancy. With the appropriate standards in place, web-based claims software may be able to implement web services, but that is only half the equation. The systems it is connecting to must also be able to accept and send data this way. That may not be feasible with internal legacy systems. Without integration to other systems, the workload on the risk management and claims staff will be increased as data will need to be re-entered into the web-based risk management information system.

Each buyer needs to evaluate the relative pros and cons of a web-based system versus the traditional client server model. The unique needs of each buyer will lean towards one approach versus another. The preferred solution may also incorporate elements of each, for example using a web-based first notice of loss module combined with a claims administration module in a traditional client server structure.



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