TBM COUNCIL

EBOOK

How Insurance Companies Are Leveraging TBM

Technology Business Management (TBM) offers valuable insights for insurers amid evolving technologies and increasing cost pressures

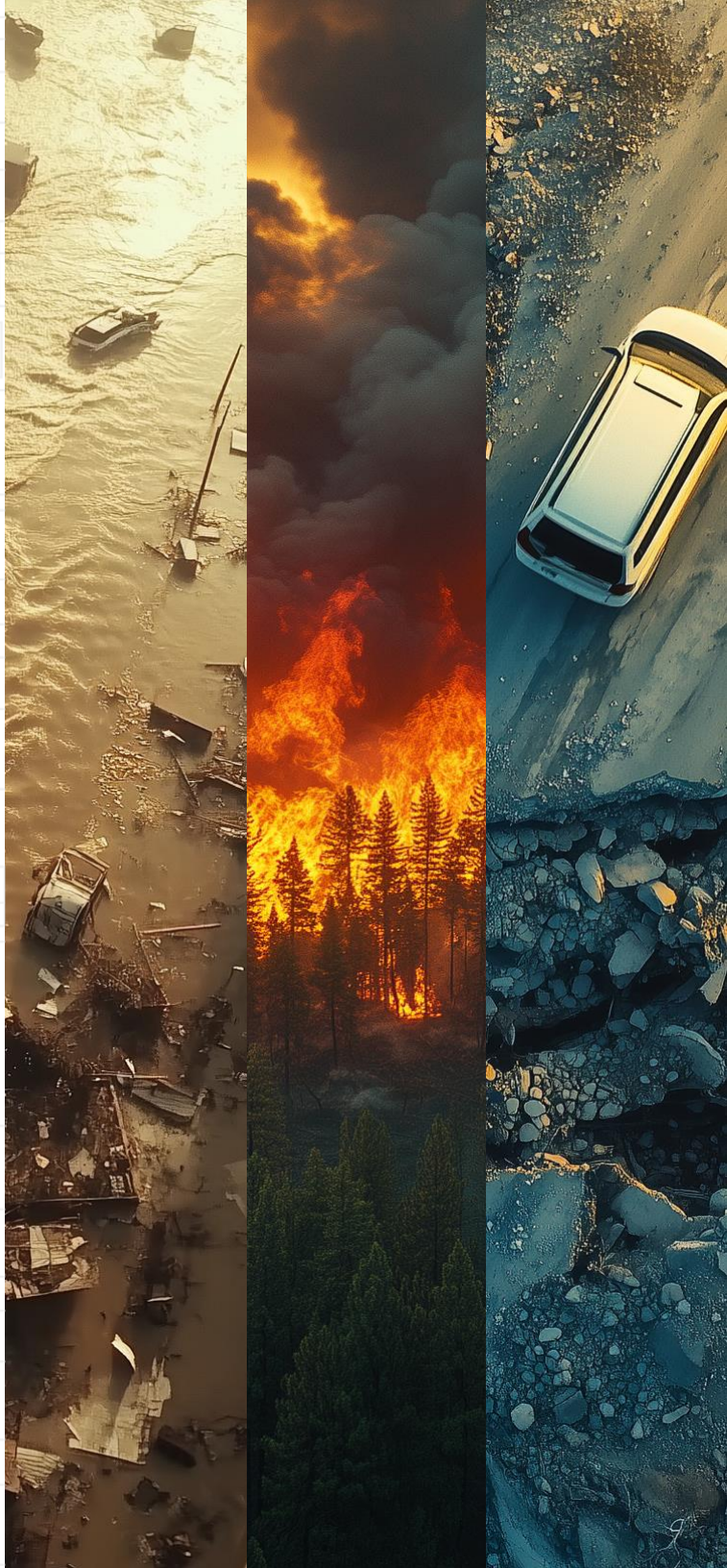
March 2025

Table of Contents

Introduction

The insurance industry faces challenges of growing frequency and severity—from natural disasters (such as wildfires and hurricanes) and cybersecurity threats to escalating regulatory demands, disruptive technologies, changing consumer demographics, market consolidation, economic uncertainty, and evolving customer expectations. Moreover, the industry encompasses a diverse group of stakeholders, including company owners, managers, employees, exclusive agents, independent agents, insurance brokers, private and institutional clients, banks, reinsurers, regulators, and consumers. This complex environment demands agile and innovative solutions.

The TBM Insurance Strategy Committee has produced this eBook to illustrate how specific applications of Technology Business Management can address many of the unique challenges facing the insurance industry.



De-Risking Change

TBM delivers costs clarity throughout industry disruption and business transformation through intuitive, repeatable cost modeling.

Managing the Cost of Entry/Exit from Markets (Product/Service TCO)

Many insurance companies pursue mergers, acquisitions, and divestitures to increase market share, expand into new regions or product lines, access new technologies, reduce operating costs, eliminate competition, and adapt to changing market dynamics. Ultimately, these activities aim to enhance overall business performance and financial stability by leveraging complementary strengths or divesting non-core operations.

TBM can be leveraged to:

- Identify technology-related savings opportunities
- Establish pricing for transitional services
- Pinpoint stranded costs

A key component is conducting due diligence to assess technical stacks, understand current environment costs, and identify potential technical debt. TBM's standardized taxonomy facilitates alignment among stakeholders.

Growth Due to Mergers and Acquisitions

Growth through mergers and acquisitions is a major driver in both the insurance and insurance brokerage industries. Although such growth offers significant revenue benefits, it can also introduce IT challenges such as duplicate applications, legal holds, remote device management, increased cloud usage, and technical debt.

Collaboration between TBM and M&A teams is critical for controlling technical debt and managing merger-related costs over the long term. The M&A team's due diligence should identify systems, applications, labor, legal holds, vendor contracts, cloud usage, and related factors. The TBM team can then utilize this data to generate reports that highlight cost and budget analysis, stranded costs, long-term technical debt, application rationalization opportunities, and legal hold timelines.

TBM provides the transparency required for IT to optimize its environment over time and for Finance to plan IT spending effectively during M&A activities.

Getting Started

- Meet with the M&A team to understand their processes and available data.
- Determine the extent and duration of technical debt.
- Assess the cost and risk associated with technical debt.
- Identify any legal holds and their timelines.
- Evaluate one-time merger costs.
- Identify redundant systems or applications introduced through M&A.

Key TBM Partners

- M&A Strategy Team
- Application Owners
- Infrastructure
- Procurement
- Finance
- Change Management

Leveraging TBM for Transition Services Agreements

For various reasons, an insurer may divest a portion of its business. In some cases, the buyer may not have the capacity to fully absorb the data and information associated with the acquired book of business. In such instances, the parties may engage in a **Transition Services Agreement (TSA)**.

While establishing a TSA is straightforward, defining the services and agreeing on service pricing can be challenging. TBM cost models facilitate this process by providing defined and costed business services. Often, a chargeback or showback bill for a business or product line serves as a starting point. Although service prices may ultimately deviate from the exact cost, having a clear understanding of service costs enables more informed decisions. Explaining the cost-modeling approach to the buyer further increases confidence in the TSA.

Getting Started

- How will the buyer of a divested business area be supported?
- What services will be provided by the seller?
- How will the seller charge the buyer for these services?

Key TBM Partners

- M&A Strategy Team
- Application Owners
- Infrastructure
- Procurement
- Finance
- Change Management

Market Viability and Margin Protection

Insurers leverage technology to gain a competitive advantage and safeguard market share. The adoption of Software as a Service (SaaS) solutions, artificial intelligence, and advanced data analytics will accelerate competitive pricing, improve risk selection and portfolio management, facilitate scalable operations, and enhance user experience—ultimately expediting business processes.

Cost Benefit: Rent/Buy/Build Decisions

Cost-benefit analysis (CBA) is an essential service within TBM, particularly for evaluating rent, buy, or build options for IT capabilities. By assessing both upfront and ongoing costs, along with the strategic benefits and risks of each approach, organizations can determine the most cost-effective solution aligned with their long-term objectives.

This analysis can be applied at various scales—from tracking value in large organizational projects to deciding between purchasing a software product or developing it internally, prioritizing product team backlogs, or selecting the optimal platform/infrastructure stack. The objective is to obtain a comprehensive understanding of the financial impact of each decision.

Getting Started

- What is the purchase or development cost?
- What are the maintenance and recurring/support costs?
- What efficiency gains or productivity improvements can be anticipated?
- How will this investment enhance service delivery or customer satisfaction?
- How long will it take to fully realize the benefits?Are there any critical milestones or deadlines?

Key TBM Partners

- Finance/MP&A
- Application Owners
- Infrastructure
- Procurement
- Technology Leadership
- Business Area Leadership
- Product Teams

Emergence of Industry Standard SaaS Solutions

Several key trends are shaping the Software as a Service (SaaS) industry, reflecting evolving business needs and technological advancements. Notable trends include:

- **Vertical SaaS Solutions:** Tailored solutions for industries such as healthcare, finance, and manufacturing that address specific challenges and compliance requirements.
- **Integration and Interoperability:** A growing need for seamless integration through APIs and strategic partnerships as organizations adopt multiple SaaS solutions.
- **Industry Consolidation:** A trend toward consolidation via M&A, as companies seek to enhance competitive positioning, expand portfolios, and leverage synergies around a few key offerings.

Getting Started

- Which SaaS solutions are currently in use?
- What capabilities does each solution offer, and what is under contract versus available for purchase?
- Who are the competitors in the market for each specific capability?
- What is the organization's strategy regarding deep investment in a few comprehensive tools versus a larger number of specialized tools?

Key TBM Partners

- Application Owners
- Procurement
- Finance
- Technology Leadership
- Business Area Leadership
- Product Teams

Data Acquisition and Enablement

Acquiring and leveraging both internal and external data is essential for transforming the insurance industry. Data enables companies to enhance pricing accuracy, optimize claims processing, differentiate services, develop new products, and drive artificial intelligence transformation. Although the industry has made significant strides in data adoption, it is still in the early stages of fully realizing the potential of data-driven innovation.

TBM enables the capture of incremental expenses associated with data acquisition and management, facilitating a comprehensive return on investment analysis.

Getting Started

- Capture internal data (e.g., historical claims, customer behavior, operational metrics, customer profiles, product performance, and sales/distribution data).
- Capture external data (e.g., industry reports, economic indicators, weather patterns, social media, accident reports, competitor data, satellite imagery).
- Leverage this data to drive improvements in pricing, claims processing, service differentiation, new product development, sales/distribution optimization, and AI transformation.

Key TBM Partners

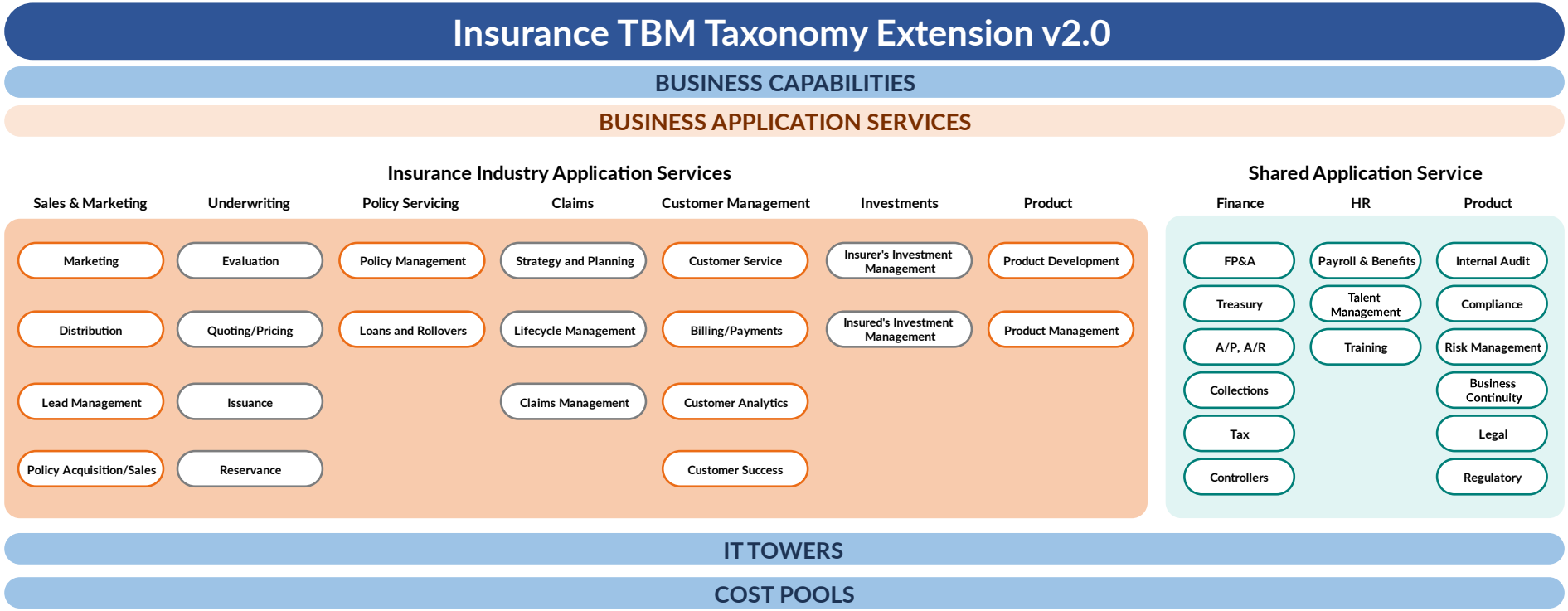
- Application Owners
- Infrastructure
- Procurement
- Finance
- Change Management

Cost Efficiency and Competitive Pressures

TBM provides actionable insights that support cost-effective decision-making across the organization.

Data Management for Insurance

Data management in insurance is distinctive due to the highly regulated environment and the risks associated with handling customer-centric data. There is a constant need for regulatory compliance, risk assessments, underwriting, fraud detection, efficient claims processing, catastrophe modeling, and data security. The TBM framework—combined with industry-specific services and capabilities—leverages high-quality data to optimize technology spending and improve strategic decisions.



Grouping Applications by Architectural Groups

Grouping applications by architectural categories provides a framework for managing system lifecycles. Consistent classifications offer clarity in evaluating system funding, capabilities, and expectations while fostering a collective understanding of a system's roadmap. This holistic view supports:

- Alignment with business goals
- Agility and scalability
- Standardization and efficiency
- Compliance and security
- Optimization of resources

Strategic
Value Differentiation

Maintain
Meets current needs, no value differentiation

Legacy
Does not meet current needs, decommission candidate

Decommissioned
System no longer in use

Getting Started

- Identify redundant systems introduced through M&A and determine which must be retained for regulatory compliance.
- Develop strategies to minimize expenses on nonstrategic systems maintained solely for regulatory purposes.
- Establish a framework that guides spending and investment decisions for both IT and business partners.
- Promote standardization while ensuring the framework remains accessible for organization-wide adoption.

Key TBM Partners

- M&A Strategy Team
- Application Owners
- Infrastructure
- Procurement
- Finance
- Change Management
- Business

Shadow IT

Shadow IT refers to the use of technology systems, software, devices, or applications within an organization without the knowledge or oversight of the IT department. Examples include cloud services, mobile applications, collaboration tools, or hardware adopted independently by employees to enhance productivity. Although often initiated with good intentions, shadow IT can introduce significant risks while occasionally serving as a source of innovation.

Benefits:

- Increased productivity
- Enhanced innovation
- Improved agility

Risks:

- Security vulnerabilities
- Compliance violations
- Data loss
- Operational inefficiencies

Shadow IT can comprise up to 30% to 40%[1] of technology spend with cloud spend accelerating these trends with data acquisition and enablement trends

[1]www.forbes.com/councils/forbestechcouncil/2022/05/18/dont-fear-shadow-it-embrace-it/

Getting Started

- Acknowledge that shadow IT expenses exist within all organizations.
- Focus initial efforts on providing transparency and decision support for existing IT assets.
- Recognize that establishing a baseline for shadow IT may require time but will ultimately build goodwill, encouraging business leaders to pursue consolidation.
- Understand the shadow IT baseline to tailor effective change management strategies.

Key TBM Partners

- M&A Strategy Team
- Application Owners
- Infrastructure
- Procurement
- Finance
- Change Management

Configuration Management Database (CMDB)

A Configuration Management Database (CMDB) is critical to successful IT Service Management. When integrated with TBM practices, it assists organizations in making informed business decisions by tracking configuration items (CIs) and their relationships. This capability streamlines processes, enhances impact analysis, facilitates future capacity planning, and improves service management.

A well-maintained CMDB, in conjunction with the TBM framework, supports the development of an effective cost model. The CMDB provides details on IT infrastructure and its relationships to services and applications, while TBM leverages this data to align IT spending appropriately. This integration enables IT and Finance to better understand the complexity of the IT environment while offering cost transparency for application/service total cost of ownership (TCO), assets, outages, orphaned CIs, decommissioned applications and infrastructure, and locations—thereby guiding optimal resource allocation.

Getting Started

- Does your organization have a CMDB, and who maintains it?
- Can reports be scheduled from the CMDB to provide the TBM Office with critical data?
- How are you tracking against ARC/RRCs?
- What operational changes might impact current contracts?

Key TBM Partners

- Application Owners
- Infrastructure
- Procurement
- CMDB Admin
- Finance
- Service Owners

Cost of Inaccurate Data

Assets in the CMDB are often incomplete or lack proper relationships. Establishing key performance indicators (KPIs) to calculate the cost of inaccurate data can highlight process failures and serve as an effective metric to track improvements over time.

Example:
Each configuration item is fully costed, and multiple potential failure points in data relationships are identified. Metrics for each failure point allocate the cost of inaccuracy as a percentage of the total infrastructure footprint. These KPIs are displayed on service dashboards, enabling service owners to monitor the financial impact and provide timely feedback. Regular service reviews drive continuous improvement.

Getting Started

- Recognize that CMDBs are frequently incomplete or outdated.
- Establish transparency and financial accountability for CMDB management.
- Create regular review forums to discuss indirect costs per service and across the business unit.
- Monitor progress and address root causes.

Key TBM Partners

- M&A Strategy Team
- Application Owners
- Infrastructure
- Procurement
- Finance
- Change Management

Cloud Tagging/FinOps

Whether an organization is beginning its cloud journey or has long embraced cloud solutions, effective cloud tagging, governance, and FinOps practices provide actionable insights to improve decision-making. Tagging cloud resources offers transparency into billing, and organizations can design a tagging structure that best meets their requirements.

For mergers and acquisitions, tagging resources associated with specific deals assists IT and Finance in monitoring cloud spending and optimizing the environment. Tagging also supports chargeback processes by enabling Finance to assess the future impact of cloud costs on budgets.

Getting Started

- Establish a FinOps organization or a Cloud Center of Excellence.
- Does your organization enforce a strict tagging policy?
- What proportion of your environment is fully cloud, hybrid, or on-premises?
- Which cloud metrics will provide the necessary insights for success?
- Which applications, products, or services utilize cloud resources?

Key TBM Partners

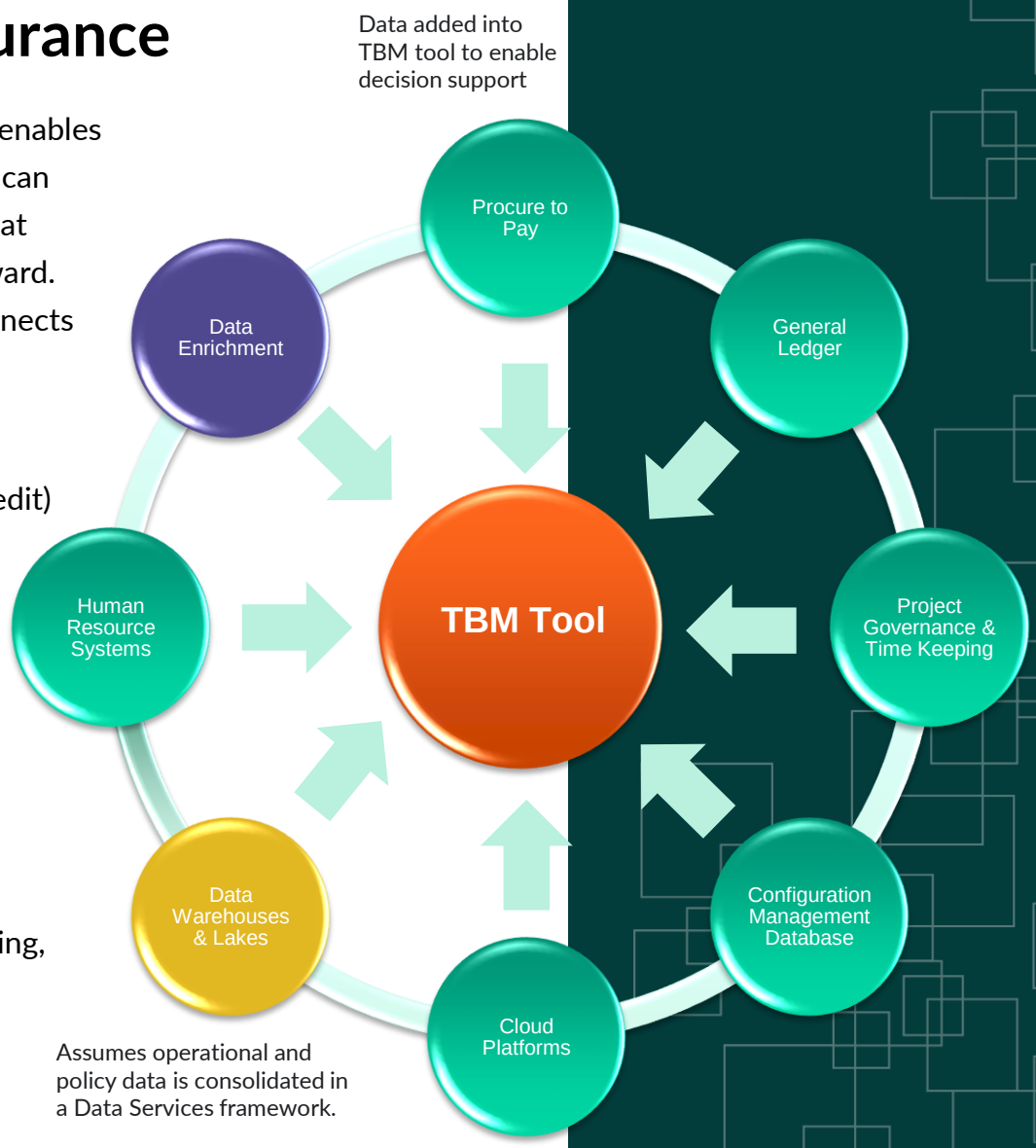
- M&A Strategy Team
- Application Owners
- Infrastructure
- Procurement
- Finance
- Change Management
- Project Managers
- FinOps
- CMDB Admin

IT Finance Configuration for Insurance

Consolidating, unifying, and enriching disparate data in TBM tool enables the translation of raw data into a narrative that business partners can understand. This process creates frameworks and perspectives that support and enhance decision making to propel the business forward. A common data architecture—such as a unified project code—connects disparate systems.

Examples of Frameworks:

- Transform, Grow, and Run (e.g., Facilities Research Tax Credit)
- Architectural Groupings
- Service Lifecycle Management
- Project Types
- Investment to Run the Engine
- Transfer Tracker
- Cost of Inaccurate Data
- Application/Service Types (e.g., Policy Administration, Pricing, Catastrophe Management)
- Efficiency Benchmarking per Policy/Claims System
- Service Catalog



General Ledger Data

An effective cost model ties back to your general ledger (GL). Optimizing the cost model involves careful attention to how accounts, cost centers, projects, and other GL fields are configured. These fields are used to map costs to Resource Towers and Sub Towers in your model. Consider the following:

- How closely can cost centers be aligned with Resource Towers?
- Can project codes or other GL fields be leveraged to track costs by applications, services, or products?
- Do your accounts segregate costs effectively into TBM-recommended cost pools?
- If multiple GL systems exist, how well are they aligned across all fields?
- Do you have influence over GL line descriptions?
- Can available codes for various GL fields be adjusted to improve the accuracy of your cost modeling?
- Can you leverage procure-to-pay process to establish data tagging controls?

Getting Started

- Evaluate how well costs are allocated to Resource Towers and Sub Towers.
- Determine if your general ledger supports your cost modeling needs.

Key TBM Partners

- General Ledger Governance
- IT Finance
- Corporate Finance
- Application/Service/Product Owners
- Procurement

Tracking Labor Utilization

Labor typically represents the largest expense in technology budgets. In organizations where agile, cross-functional teams support products and services, ensuring optimal labor utilization is critical to maximizing return on investment. Many companies have traditionally used time-tracking tools to log time spent on projects, programs, or products. However, for some organizations, these tools may be cumbersome and provide limited insight. Alternatives—such as standardized ticketing within squad backlogs—can also be employed to understand where time is spent.

Getting Started

- Who currently manages resource capacity?
- Are resources allocated to the most critical initiatives?
- How are resource management decisions made, and is data used to inform them?
- What tools or processes are in place, and can they be improved?

Key TBM Partners

- General Ledger Governance
- IT Finance
- Corporate Finance
- Application/Service/Product Owners
- Agile Process Owners

Research Tax Credit

The Research Tax Credit is a federal incentive that reduces tax obligations based on expenses incurred for designing, developing, or improving products, processes, software, and more. To qualify, the activity must meet IRS criteria:

1. It must relate to developing or improving the functionality, quality, reliability, or performance of a business component.
2. It must be technology-related.
3. There must be uncertainty in the design or development process.
4. Multiple design alternatives must be evaluated to overcome this uncertainty.

Gathering the necessary inputs for the Research Tax Credit can be expedited by leveraging existing data sources such as configuration management databases, time-tracking systems, and work management tools (e.g., Git, agile platforms).

Getting Started

- Is there significant research and development within the organization?
- How can existing data and processes be used to gather information for tax return supplements?
- Who will manage this process—IT or Tax?

Key TBM Partners

- Corporate Tax
- Product Managers
- Product Owners
- Finance
- Core data feed owners

Leveraging Supplemental Taxonomies

With emerging technologies such as generative AI, the Internet of Things, and blockchain, the insurance industry must adapt rapidly, mitigate risks, and closely monitor technology spending. While the TBM framework provides an excellent foundation, leveraging supplemental taxonomies allows for a more in-depth analysis of IT spending. This enhances decision-making regarding project expenditures, resource optimization, future planning, and risk mitigation while also improving communication among diverse leadership groups.

Supplemental Taxonomies to Consider:

- NIST Cybersecurity Framework
- Common Services Data Model (CSDM)
- FinOps
- IT Service Management (ITSM)

Getting Started

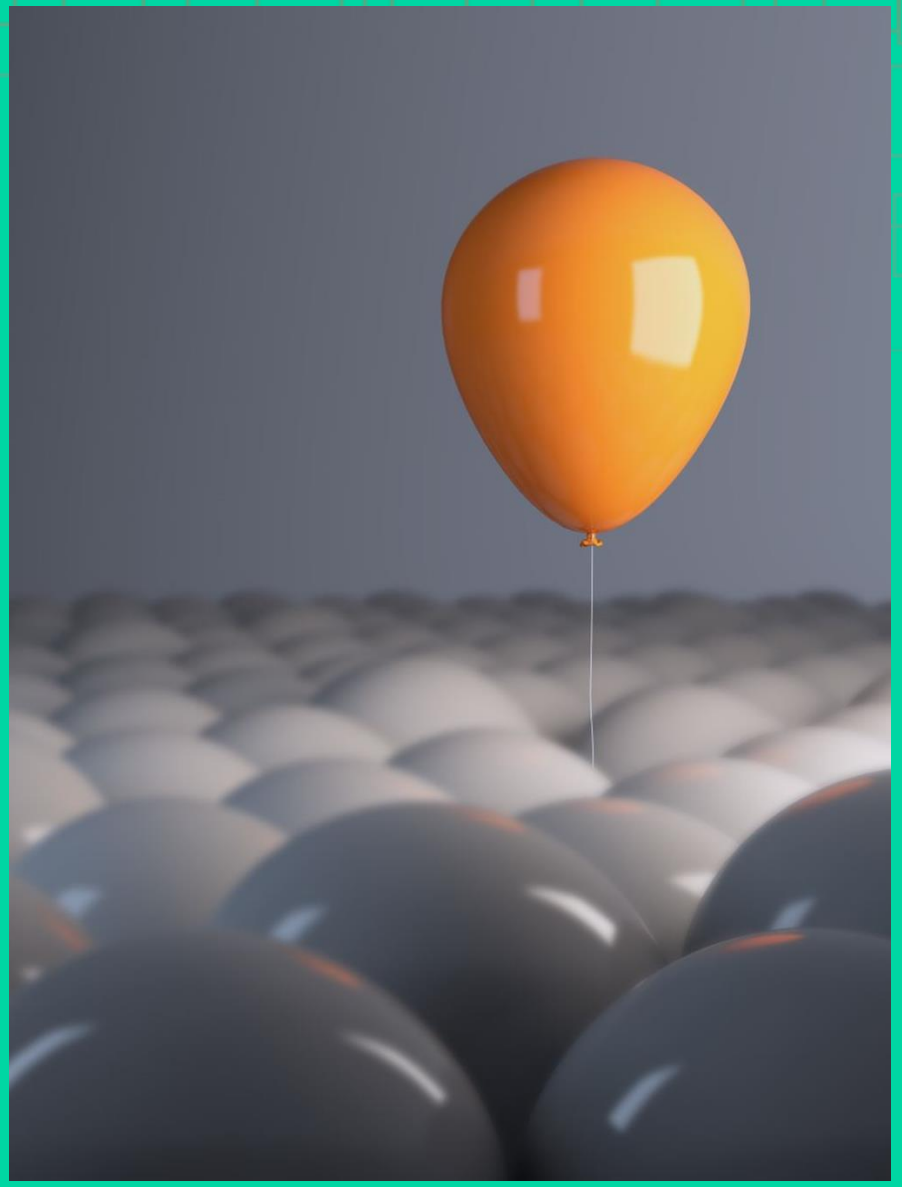
- Read the whitepaper on TBM Integration with ServiceNow CSDM.
- Read the whitepaper on TBM Taxonomy and the NIST Cybersecurity Framework.

Key TBM Partners

- Application Owners
- Infrastructure/Ops
- Procurement
- Finance
- Security
- FinOps

Value Management

TBM provides the ability for insurers to quantify and optimize the cost and value of their technology products and services.



Value Management

Insurance companies are challenged with having to respond rapidly to frequent changes in global external risk factors, increasing competition, and continuous product innovation. Attracting and retaining customers requires a disciplined approach to maximizing the value of technology investments.

Technology Business Management enables insurance companies to assign a cost to their insurance and technology products (Product TCO), thereby facilitating discussions on the value that new and existing products deliver toward achieving strategic objectives. One approach to representing the cost and consumption of a technology product or service is to develop a showback or chargeback model that provides detailed cost information.

Product Lifecycle Management (in Value Management context)Product Lifecycle Management offers a framework for considering which products will be maintained, retired, or improved. Many technology leaders organize budgets using Run, Grow, and Transform cost categories to illustrate where investments are made to grow or transform products, services, and capabilities versus simply maintaining existing operations.

Total Cost of Ownership (TCO)
Evaluating New & Existing Products and Services

Traditional financial management tools, processes, and reports often do not fully represent the Total Cost of Ownership for technology products and services. When TCO is under- or overstated due to incomplete data, it can lead to suboptimal decisions regarding future technology investments for both new and existing products and services. By considering all costs required to support a product or service—such as ongoing IT engineering support, cloud hosting and storage fees, software licensing, cybersecurity, and networking expenses—decision makers gain a more complete perspective when evaluating costs and benefits in a business case.

This is particularly relevant for insurance companies that must evaluate modernization agendas for aging technology or embrace transformative capabilities such as generative AI. It also applies when considering integration or divestiture operations in response to M&A activities.

Getting Started

- How are the costs for products and services currently reported and managed?
- Does Finance have the tools and processes needed for detailed reporting and analysis?
- Are business cases required to support funding requests for new products, services, or enhancements?

Key TBM Partners

- Finance
- Product Management
- IT Architecture
- Tech & Business Strategy

Product Lifecycle Management

For insurance companies with agile, cross-functional teams, understanding a product's lifecycle stage is critical for prioritizing and funding decisions.

A typical product lifecycle includes the following phases:

- Ideation
- Product Planning
- Development
- Launch
- Growth
- Maturity
- Decline/Retirement

By adhering to a defined lifecycle, companies can optimize their return on product investment by establishing a clear product portfolio and ensuring that each product is led by a product manager who uses customer insights and market research to guide development and evolution.

Getting Started

- How are the costs for products and services currently reported and managed?
- Does Finance have the tools and processes needed for detailed reporting and analysis?
- Are business cases required to support funding requests for new products, services, or enhancements?

Key TBM Partners

- Finance
- Product Management
- IT Architecture
- Tech & Business Strategy

Chargeback and Showback

In organizations with cost center structures, chargeback is essential for redistributing IT expenses to revenue-generating units. An equitable, transparent, and well-governed chargeback process is critical, especially in complex organizations with multiple business units or legal entities. A showback model can provide business units with greater transparency into cost components, enabling more informed cost-allocation decisions.

Getting Started

- How are IT costs currently accounted for during the financial close?
- Does the process provide sufficient insight into underlying technology costs and opportunities for optimization?
- Who is responsible for maintaining this process, and how frequently is it updated?
- What tools are used to facilitate the process?
- Is quality data available, and are business inquiries regarding IT costs encouraged?

Key TBM Partners

- IT Finance
- Business Finance
- Technology Leaders Responsible for Costs
- Procurement
- Talent / HR

Run, Grow, and Transform

Technology budgets are inherently complex. With rapid changes in both the insurance industry and the supporting technologies, aligning investments with business priorities can be challenging.

The Run, Grow, Transform (RGT) framework categorizes expenses as follows:

- **Run:** Costs required to maintain current operations.
- **Grow:** Costs required to support business expansion.
- **Transform:** Costs required to drive significant change or innovation.

Consistency in categorization is essential within your company to align strategic business goals with technology investments.

Getting Started

- How does the technology department currently report expenses, and what tools are available?
- Does the business understand the difference between maintaining existing technology and investing in transformative initiatives?
- Are new application or product developments prioritized based on growth potential?

Key TBM Partners

- Finance
- Tech Strategy
- Tech Architecture
- Product Management

Tracking, Modeling, and Showing Value

Emerging technologies encompass innovative solutions that are in development, gaining adoption, or have the potential to disrupt existing systems and industries. TBM plays a pivotal role in quantifying the value of emerging technologies and ensuring their successful adoption.

With the advent of Taxonomy 5.0, the TBM framework now offers methods to track and model costs for artificial intelligence and other emerging technologies. The TBM Office can segregate these expenses within the cost model, facilitating cost-benefit analyses, ROI calculations, business case development, and alignment of investments with business goals.

Getting Started

- Can artificial intelligence be integrated into claim analysis?
- How can AI be utilized to generate knowledge articles for claims specialists?
- How can AI accelerate development and testing processes?

Key TBM Partners

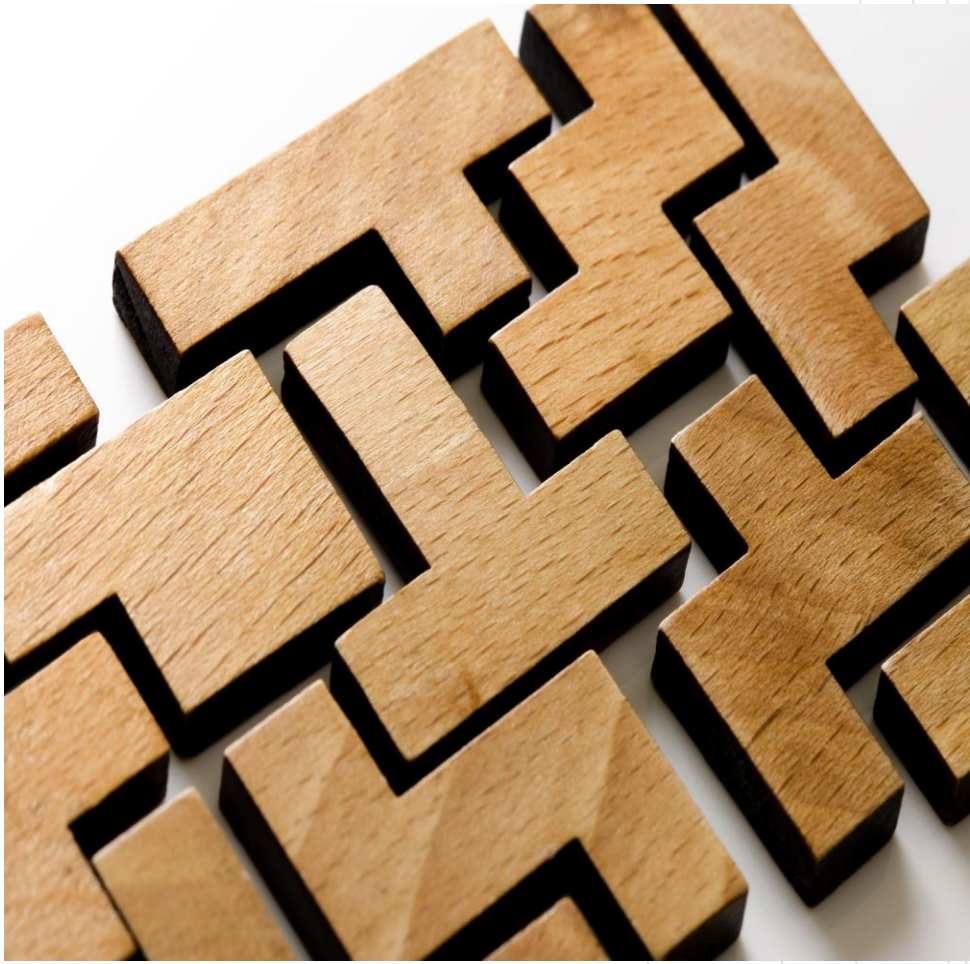
- Product Owners
- Application Owners
- Infrastructure
- Innovation Team
- Finance
- Cybersecurity/Security
- Data Science Team
- AI COE

Summary

TBM has proven to be a valuable discipline for helping organizations survive and thrive amid change. In this eBook, we have examined the unique pressures facing the insurance industry and identified specific examples of how TBM can assist organizations in navigating increasing volatility.

We have explored opportunities for organizations at various stages of their TBM journey—whether just beginning or more mature—and provided "Getting Started" recommendations to facilitate a smooth transition with minimal time and effort. Additionally, we have identified key stakeholders to consider in planning.

Furthermore, the TBM Council offers extensive resources and opportunities to engage with our community, including the Insurance Strategy Committee. We welcome your feedback and suggestions.



TBM COUNCIL

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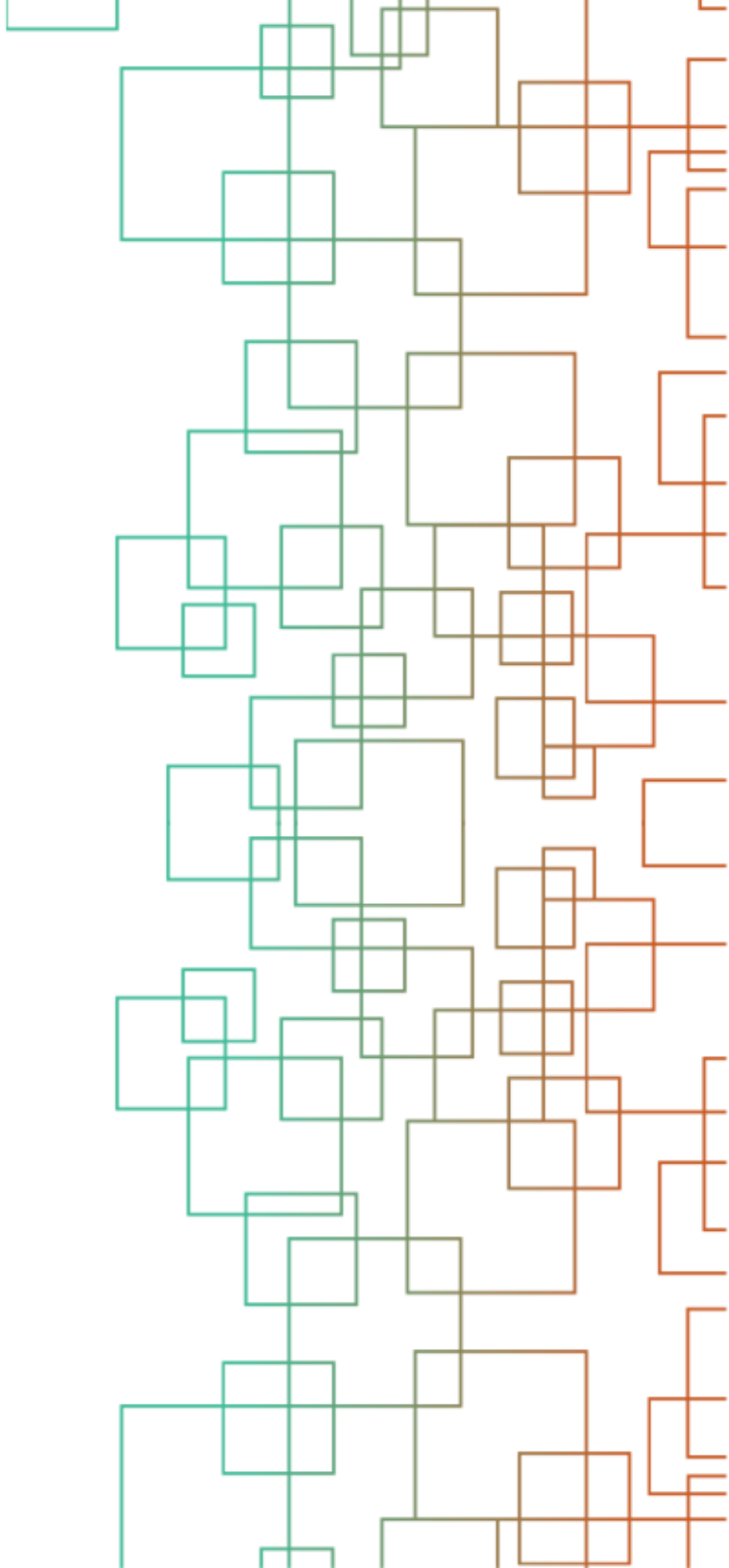

TBM COUNCIL

About the Insurance Strategy Community

The Insurance Industry Strategy Community brings together professionals from technology, finance, and business to develop standards and practices for Technology Business Management (TBM) that accelerates the impact and value of technology throughout the Insurance industry.

Join us to contribute to these and other exciting areas, expand your professional connections, and play a vital role in advancing TBM and technology value management across the Insurance industry.

- Learn more by joining the Insurance Strategy Community

About the TBM Council

Founded in 2012, the Technology Business Management (TBM) Council is a nonprofit business entity dedicated to advancing the discipline of TBM through education, standards, and collaboration. Governed by an independent board of both global and regional business technology leaders, this diverse group represents some of the world's most innovative companies, including Mastercard, Wells Fargo, State Farm Insurance, Nike, Stanley Black & Decker, Equifax, ANZ Group, Commonwealth Bank of Australia, Adidas, Mercedes Benz, and more. The TBM Council provides best practices for leaders to leverage so they can react quickly to changing market dynamics and optimize cloud and agile strategies to deliver on business objectives.

- Learn more and become a member at tbmcouncil.org