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Executive Brief

# Creating a Data-driven Insurance Business

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## Creating a Data-driven Insurance Business

It is becoming increasingly clear that insurance organizations intent on sustaining competitive advantage need to have data readily available to make dramatic and transformative business changes. Data problems are what limit too many insurance organizations; the data is incompatible, lacking business relevance, and poorly governed. These limitations make it difficult to take advantage of the macro market changes that are increasingly the basis of sustainable competitive advantage, such as the ability to respond to the potential movement of Internet pure plays like Google into insurance. Being disintermediated from either existing or new customers is dangerous. The insurance organizations that get their data act together will, in contrast to their peers, have the agility to merge, the customer intimacy to cross-sell and upsell, the compliance systems to meet solvency requirements, and the operational efficiencies to invest disruptively. The organizations that ignore their most valuable asset, their data, will suffer significant consequences that include:

- Higher costs
- Slower growth
- Slower and more expensive compliance with regulatory standards
- Inability to protect their customers' data privacy
- Disruption of their business

Similar to Uber and Airbnb, business winners will put data at their core. Those that are prepared will emerge as leaders from the industry changes, while those that are not in control of their data will likely acquire late responders.

### Insurance Today

Insurance organizations are faced with the following major challenges:

**How do you connect with Millennial Customers?** Large and SME insurers are innovating to get connected with next-generation customers as part of their growth strategy. As these insurers bring newer business models into play and gear up for a utility-based insurance (UBI)

model to offer more fairness and customer centricity, their data processing and management requirements are growing exponentially from an analytics standpoint.

#### How do you compete with Orthodox?

Today's competitive threat is not as much an organization in the same business as yours but, rather, one outside of the insurance industry, with the capability of becoming a major player like Google or Amazon.

#### How do you enable an Analytics-driven Insurance Organization?

The most effective ways to gain competitive advantage in today's world are to create operational strategies that generate trusted insights for innovation, drive operational efficiency, measure business performance, and offer predictions.

To maintain competitive advantage, insurance organizations must be able to:

**Meet strict regulatory requirements:** Under Solvency II, insurance organizations need to holistically understand risk across their businesses. At the same time, it is mission critical for them to provide the data governance needed to control information creation and utilization.

**Trust insurance organizations and their ability to secure customer data:** Cybersecurity attacks and data breaches erode trust and pricing power when products are commoditized. Insurance organizations, for this reason, should look at the security of their data as a means to reduce market perception erosion and decrease the chance of revenue-debilitating fines.

**Align products to customer needs and maximize revenue per customer:** Many insurance organizations find their product offerings are not well aligned to their customer needs. This ineffectiveness in product strategy and marketing can lead to commoditized offerings and "being stuck in the middle," with no differentiation or pricing power. At the same time, many insurance

organizations are not well positioned to effectively upsell or cross-sell their existing customers. Without holistic insight into what a customer owns or does not own, or even their transaction history, existing market players will be put in a vulnerable position as new entrants with data at their core take advantage of the situation. In today's real-time world, it is difficult to respond to a change when legacy processes are the foundation. To fix this, insurance organizations need to modernize and, in particular, address their customer data challenges. This is critical to change the perceptions of customers, differentiate the business, and respond to new entrants with the ability to quickly impact sales and product margins.

**Merge, modernize, increase efficiency, and act as a disruptor:** Mergers and acquisitions are challenging because they add to the diversity of systems that must be maintained, managed, and integrated. Even worse, customer data can reside in an increasing number of systems, making a single view of the customer difficult to deliver. The same is true for insurance product data. This makes accretive business synergies hard to deliver. At the same time, new initiatives to improve processes through advanced applications are costly and take time to produce results. While most mergers and acquisitions provide funds and resources for the merger, getting true synergies requires removing legacy systems and just making the data available. Although many insurance organizations are finding it difficult to adopt disruptive technologies, such as cloud, they still need to reduce operational costs and enable modernization, where increased efficiencies can act like a disruptor.

Part of modernizing is about using disruptive technologies to make data available easily and to drive organizational and operational resilience improvements —without large-scale investments in infrastructure.

**Automate paper processes and drive operational efficiency:** New initiatives to improve processes through advanced applications have time, cost and risk associated with their ability to produce results. Creating more data silos that need to be reconciled does not work either. Organizations need to be able to incorporate new sources of data securely, safely, and accurately with minimal effort. This will make it easier to generate meaningful insight from new

sources of data or to blend existing and new data sources. Additionally, as paper-based business processes are automated, it will be easier for a business to act as one company.

## What is Holding Back the Insurance Industry?

As mentioned above, insurance organizations are struggling with a number of business challenges. They are also faced with an increasing urgency to innovate, become relevant to a new generation of customers while retaining their existing ones, and also deal with regulatory requirements.

While internal and external data holds the key to finding answers to these challenges, it is critical that the data offer trusted insights with agility. Insurance organizations, therefore, must have a next-generation enterprise data strategy in place and improve data processing, management and governance around their internal and external data in order to ensure the data is accurate.

As different organizations are at varied levels of maturity in delivering data and insights to the business with expected quality, it is important to understand that robust data management and governance are a continuous journey. The capabilities needed to respond to the business requirements and be compliant will need to be improved from time to time.

One partial way to address this shortcoming is through authoritative data sources. Another manner is by ensuring the quality and completeness of data. This is needed to serve up data to appropriate risk models and calculations. At the same time, with sensitive data always under the potential of attack, insurance organizations need to adopt more rigorous policies and capabilities to protect their data and treat it as a corporate asset. It does not stop here; effective data security needs to include dynamic data masking and

redaction to ensure that only those who should see the data can do so. Together, these factors will help reduce the potential impact of an insurance company data breach.

To overcome their challenges, insurance organizations must be able to collect and integrate their customer data and make it relevant. Without addressing this challenge, organizations cannot improve customer intimacy, upsell/cross-sell, etc. What is needed is the ability to deliver a complete and cross-organizational view of the customer’s financial portfolio. To do this, insurance organizations need their data management capabilities to provide meaningful customer segmentation. At the same time, insurance organizations need their data to enable improved customer engagement. For example, the ability to access an up-to-date and accurate view of all customers and their product, account, and transaction data on demand.

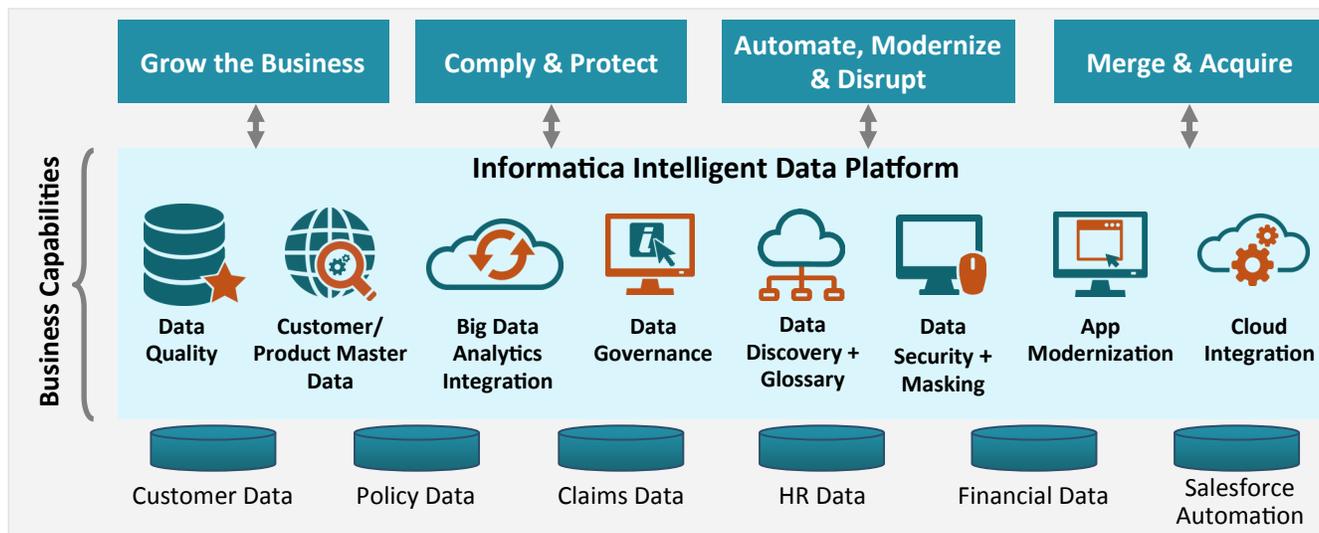
To remain competitive, it is important that insurance organizations free up their investment in legacy environments for systems that will support the transformation of the business. The first step in accomplishing this is to get control of key data on customers, employees, and more. With this in hand, insurance organizations can go after the monies spent on historical legacy systems. It is important to realize that this investment involves more than applications. It includes all the costs that support the legacy environment including hardware, storage, and the network. Hardware costs can be eliminated every time a legacy application is eliminated.

Therefore, it is essential that organizations move data to new and more modern applications and, as legacy data is archived, actually retire and turn off legacy applications.

Finally, insurance customers need the ability to manage through the complexity and risk of business mergers or acquisitions. This often starts with aligning the business models of the organizations. M&A activity requires accessing customer and product data from across multiple organizations (which may have different data and process models), and then aligning the data across environments to generate organizational benefits and reduce the impact on the customer. Robust data management capabilities are needed to securely manage the data across technologies within the existing environments.

## Insurance Data Management Opportunity

Informatica’s Intelligent Data Platform (IDP) provides insurance organizations with the opportunity to solve many of the problems that have held them back. The IDP enables companies to integrate high-quality, contextualized data. Its “map once, deploy anywhere” capabilities decouple data center and data management strategies. In other words, the capabilities allow users to map once and deploy an application wherever it appropriately lives. Users can also exchange applications or database technologies. This insulates users from having to start from scratch every time a system or data center choice is made. The IDP is the only solution that can satisfy all of the different technology choices: traditional vs. big data, real-time vs. batch, etc.



The Informatica Intelligent Data Platform offers a holistic approach to data management that includes the following capabilities:

- **Comply and Protect:** Informatica's IDP provides organizations with the ability to understand where they get their data, how to make sure it meets the organization's specific quality requirements, and how to track what happens to the data from source to destination. Through data security and dynamic data masking, the IDP also ensures that only those who need to see the information can do so. Access privileges can be changed quickly.
- Clean, trustworthy data is essential to everything an insurance organization does. Data management and governance capabilities are also needed to deliver cost-effective and timely compliance. The process begins by profiling the data and making it available through a data glossary and catalog. This is based on the ability to 1) identify authoritative data sources; 2) know the quality and completeness of data; 3) manage organizational hierarchies; 4) create data lineages; and 5) serve data into the appropriate risk models.
- **Grow the Business:** The business growth depends on customers. For this, Informatica provides a number of capabilities needed to deliver a complete and cross-organizational view of the customer portfolio. This is done by creating a customer view of the data, rather than a traditional policy view. The customer view helps overcome data silos and increases upsell/cross-sell opportunities. It provides the data used by insights for "next best action" and "next best offer," as these require high-quality input data to deliver benefits. The capabilities offered through the customer view also increase the accuracy of segmentation. This may include new data sources. To make the data useful, however, duplicate data and other inconsistencies must first be eliminated. Once this has been accomplished, it is possible to relate the data to a master customer record. A big data instance can be created to provide predictive offerings. The IDP provides the data needed to drive new forms of customer engagement. Finally, service organizations can know who the customer is and what they own when the customer calls in and begins a new form of engagement. Doing all of this requires an up-to-date and accurate view of all customer and related product, account, and transaction data. These capabilities provide data management in an anytime mode and make data available to all systems of engagement—regardless of channel or format.
- **Automate, Modernize and Disrupt:** The IDP enables insurance organizations to modernize their IT environments. This occurs by providing all of the tooling needed to liberate an organization of legacy applications. With the IDP, organizations can manage the process of migrating data from existing sources to new sources, including those in the cloud. Enabling this are capabilities to profile data, validate data, and fix data. With these capabilities, applications can be synchronized and data can be migrated and/or archived. Supported by proven methodologies, the application and supporting infrastructure can be retired, reducing complexity and lowering cost. Informatica provides the ability to automate and improve the organizational information supply chain to offer the right information at the right time, and to the right person. This supports business process automation and the removal of paper-based sub-processes. It also automates the flow of data across systems and processes while ensuring they have the right level of quality. Once this occurs, insurance organizations can embark on application modernization.
- The first step in this process involves application synchronization, application testing and, when ready, application retirement. Typically, users need to profile and fix data in this process so that only clean, safe, and connected data is fed into the new applications. To support new data sources (e.g., social media), insurance organizations increasingly need to take the step of combining historical data using big data capabilities.
- **Merge and Acquire:** Merging and acquiring data has a lot in common with modernizing and disrupting data. The IDP enables insurance organizations to modernize their IT environment as part of a merger or acquisition process. This is achieved by providing all the tooling needed to liberate an organization of duplicate legacy applications from each merged or acquired organization. With the IDP, users can manage the process of migrating the data from existing sources to new sources, including those in the cloud. The IDP also assists organizations in establishing a

company-wide repository of master data, which makes it possible for organizations to act as one company as quickly as possible. M&A activity requires customer and product data from multiple organizations with different data and process models to be aligned to generate organizational benefits.

### Informatica Intelligent Data Platform for Insurance Organizations

For more than 20 years, Informatica has been helping companies move beyond data integration projects to establish data integration and management as a core competency. The Intelligent Data Platform builds on these market-leading capabilities to enable insurance organizations to become masters in their increasingly data-centric/digital world. Using a common core and common skill sets, the IDP can help insurance organizations become business leaders by empowering them with unparalleled (but secure) access to the data they need to improve efficiencies. In particular the Informatica IDP helps insurance organizations in the following ways:

- **Grow the Business:** The business growth depends on customers. For this, Informatica provides the capabilities to deliver the data for a predictive offering to customers, regardless of the channel a customer chooses to use.
- **Comply and Protect:** Compliance and protection have to do with governance, which starts with data quality. With this, organizations can make data readily available and robust. They also can establish appropriate control and ownership while actively managing data security.
- **Modernize and Disrupt:** Modernization and disruption are about getting rid of legacy applications and releasing the funds to invest in disruptive business capabilities.
- **Automate, Merge and Acquire:** This means that users can quickly do two things: act as one company, and drive cost reductions to deliver true business synergies.

The IDP empowers great data to optimize business processes. Ultimately, Informatica’s IDP solution enables insurance organizations to grow revenues, reduce costs, and provide a differentiated experience in a highly competitive, ever-changing environment.

### About Informatica



Informatica™

Informatica is 100 percent focused on data because the world runs on data. Organizations need business solutions around data for the cloud, big data, real-time and streaming. Informatica is the world’s no. 1 provider of data management solutions, in the cloud, on-premise or in a hybrid environment. More than 7,000 organizations around the world turn to Informatica for data solutions that power their businesses. For more information, visit [www.informatica.com](http://www.informatica.com).

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### About Trianz



Trianz enables digital transformations through effective strategies and excellence in execution. Collaborating with business and technology leaders, we help formulate and execute operational strategies to achieve intended business outcomes by bringing the best of consulting, technology experiences and execution models. Powered by knowledge, research, and perspectives, we serve *Fortune* 1000 and emerging organizations across industries and geographies to transform their business ecosystems and achieve superior performance by leveraging Cloud, Digital, Analytics and Security paradigms. As a professional services firm, our values and culture are focused on delivering measurable business impact, predictability in execution, and a unique partnership experience.

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