

MOVING BEYOND THE REGULATORY STICK

Evangelising data improvement in insurance

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VisionWare
a Master Data Management company

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About the author

Nicola Askham, The Data Governance Coach, is an independent data management consultant. Her experience in coaching both regulatory and non-regulatory organisations to design and implement full data governance frameworks, is unique within the Data Governance field. The coaching approach enables organisations to self-manage the process beyond initial implementation. Nicola's coaching and Data Governance workshops, ensures your data governance framework is embedded as an integral part of your business as usual policy. The benefit for you is that once the framework is in place your organisation will be confident, competent and compliant.

She has worked in Data Management for eleven years, initially for a leading UK Bank, before becoming a consultant at the beginning of 2009. Recently Nicola has spent much of her time working with Insurance companies to deliver data governance for Solvency II, but also runs Data Governance Training courses and coaches organisations to implement data governance. Nicola is a Director and Committee Member of DAMA UK, on the Expert Panel of Dataqualitypro.com and regularly writes and presents internationally on data governance best practice.

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1. Prologue

The insurance industry is going through a significant period of change with tightening regulation, consolidation through M&A activity and the advancement of the digital agenda all driving a sharp focus on customer understanding as a route to competitive advantage. In this paper, The Data Governance Coach, Nicola Askham shares her view on how data improvement initiatives can be a critical enabler to rising to the challenges facing insurers today. Whether you sit in the business or IT, this paper will provide guidance on how to inspire and engage key stakeholders to embrace the business benefits available from proactively creating a single and trusted view of the customer as a result of investing in MDM technology - driving value far beyond merely meeting regulatory compliance measures.



2. Is your data an asset or a liability?

We now live in a data-driven world and many organisations are finally coming to the conclusion that data should be viewed and managed as a strategic corporate asset. Regulation, especially Solvency II, Know Your Customer and Sanctions monitoring, have all been significant in making data a boardroom priority. This is mainly due to the impending threats of financial penalties and reputational damage being just too difficult to ignore. But whereas some firms have grasped the opportunity to broaden the scope of data improvement programs to create innovation and sustained business advantage, others have merely done what is necessary to meet compliance requirements.

This all largely ties back to corporate attitudes towards data and whether it is viewed as an asset or a liability. Historically investment in data related initiatives has often resulted from a reaction to a compelling event that has caused the organisation significant pain – such as regulatory non-compliance. If you are looking to create a business case for investment in any data management initiative, the threat of regulation is often a good place to start as the risk is clear and quantifiable. By focusing in on this initial target you will create a sensible scope for stage one of your data improvement project - allowing you to demonstrate meaningful results to the board in the early stages, as well as creating momentum to sustain the all-important executive sponsorship required to make your broader program a success.

In this paper we are advocating the theory of broadening the horizons of your data improvement initiative to create more transformational change for your organisation, but it is crucial to note the importance of defining a realistic project scope. 'Big bang' and unstructured piecemeal approaches will create challenges in delivering value from your program in a timely fashion and can often lead to unexpected costs – as many insurers will testify to. However, you should not be satisfied with merely picking off and meeting each regulatory data requirement as it arises. There are much bigger benefits to be gained for those firms who embrace the opportunity to turn their data into a strategic asset.

As insurance companies grow over time (both organically and through mergers and acquisitions) their system and data landscapes can become increasingly siloed

and complex. There is often a rich tapestry of purchased IT systems, as well as those which have been built in house. You also have to consider the solutions which business users have created in spreadsheets, to meet their needs for data which existing systems are unable to provide. The result of this disarray is that the same data is often entered multiple times into multiple systems and potentially even multiple times into the same system.

Take for instance the following customers: Nicola Askham, Nicola Askham Ltd, NAL, Naskham, Nichola Askham, N Askham Ltd. Are you clear whether these are related or maybe even the same person? Are you confident that you "know your customer" and can run the correct customer name against the various sanctions and compliance lists or databases? Aside from compliance, how

much marketing budget and effort is wasted because the contact data used to run the marketing campaigns is of poor quality or even just downright wrong?

Some instances may lead to amusing tales and whilst it is funny that a 94 year old bedridden lady who has never driven in her life, is sent a guaranteed motor insurance quote letter, some have potentially more serious consequences. Consider the example of county

court judgements being threatened (or even made) against individuals because payments from an insurance company have been sent to the wrong address.

Such scenarios and the associated costs can be avoided if your organisation has access to a trusted single view of customer data across the enterprise. However if a data improvement initiative has been undertaken in order to achieve regulatory

compliance, the scope is likely to have been limited and the opportunity to drive broader business value, differentiation and profitability through deeper customer insight is missed.



Key takeaway: The availability and quality of enterprise data is moving up the corporate agenda to become a board level issue and insurance firms have the opportunity to move their data from being a liability into an asset.



3. Are you favouring the carrot ahead of the stick?

As we have already alluded to, improved data management, e.g. developing a single customer view, offers far wider benefits to your company, than just achieving regulatory compliance. When the business and IT collaborate effectively on data initiatives, your company has the opportunity to manage your data proactively and the potential benefits are immense.

The following are the types of outcomes that you can expect to realise from investment in creating a single and trusted view of the customer across your organisation. Having the ability to match, merge and synchronize data from historically siloed sources scattered across the organisation leads to:



Efficiency and cost savings

Many insurance companies have manual, labour-intensive processes to gather and cleanse data so that it can be used for all manner of purposes, including sanction screening and regulatory reporting. If complete, accurate and trusted customer data is easily available, these processes can be streamlined and often automated. Even onboarding new customers becomes much easier and more efficient, as you are able to quickly collect accurate data in order to understand risks correctly.



Better strategic and operational decisions

Improve the quality of your data and it follows that the management information and reports produced on that data also improve. This has a knock on impact on a range of different departments. Use-cases range from richer customer insight being applied to new product development initiatives, through to a deeper understanding of risk being applied to pricing and underwriting decisions. It is also important to note that having a single view of clients available in real-time can also inform better decisions at the point of customer contact enabling services staff to better serve your customers and improve satisfaction scores.



Improved claims handling

Accurate and complete data will result in a better customer claims experience. If the correct customer data is available and easily accessible, claims can be assessed and dealt with far more efficiently. Better quality and better managed customer data will facilitate a consistent claims handling approach (further improving the customer experience). Finally if you have good quality customer data you will be able to utilise analytics services and software to improve fraud identification and management.



Key takeaway: Regulatory risk can be a compelling entry point for data improvement initiatives, but do not lose sight of the broader opportunities available from embracing proactive data management.

4. There is change but is that an opportunity?

The insurance industry is experiencing change at pretty much every level with tightening compliance and an increasing volume of M&A activity altering markets and competition. While this pace of change presents many challenges, it also offers the opportunity to embrace MDM initiatives, enabling you to service your customers better and thrive in an increasingly competitive arena.

Since it costs considerably more to attract and gain new customers than to retain existing ones, insurance companies can use a single customer view to make more of their existing customer base by:



Improving customer retention

You would be surprised by the number of insurers that are unable to evaluate key performance indicators such as the average number of policies their customers hold, as a result of not having a single customer view. This tends to culminate in every customer being treated the same way and agents being held hostage by missing, incomplete and inaccurate account information when new business enquiries, claims and complaints come in. By being able to get to the bottom of understanding how many policies your customer holds you will be far better equipped to manage VIP customers and also far closer to identifying the profitable customer segments that cross-sell activities should be aimed at.



Identifying cross-sell and upsell opportunities

A single customer view enables you to assess your relationship with clients either at an individual or household level. Consider for a moment the value of being able to understand an existing customer's change of circumstances and the impact that can have on creating upsell opportunities. A classic example of this would be if a customer moves house or gets married, what impact will that have on their propensity to take out life insurance? Understanding household relationships could also be intrinsic to selling more multi car insurance policies for example, and the list goes on. Clarity around communication preferences based on a complete understanding of the customer's previous activity may also be key in creating the right level of engagement to drive cross-sell opportunities. Only by augmenting data from across the disconnected data sources of your organisation can the value of this customer insight and targeting be truly unleashed.



Customer portals and digital

There is an increasing trend particularly in general insurance towards managing the expectations of the 'always on customer' through self-service channels such as online portals. This is a potential gateway towards both improved customer experience and efficiency savings by putting customers rather than staff in control of administering, updating and renewing their own policies. But consider again the challenges associated with a fragmented view of the customer in this context. It's likely that the status quo would dictate the need to have multiple logins for cases where multiple policies have been acquired from the same organisation. By integrating disparate policy information from across the business you have the potential to provide a single view of your organisation to the customer and by doing so promote the benefits associated with 'single source simplicity'. The data provided directly from customers through these self-service channels also provides a trusted flow of information that can inform updates to other source systems within the organisation.

In addition helping you remain competitive, MDM provides valuable assistance in:



Integrating mergers and acquisitions

M&A activity brings a sharp focus on the issues associated with data fragmentation and is effectively the ultimate MDM challenge. The key in any acquisition scenario is to ensure that the expected benefits of the deal are met quickly and effectively. The ability to identify customer-cross over plays an important role across the M&A lifecycle from understanding the volume of net new customers you will acquire in the due diligence phase, through to ensuring customers are managed effectively post acquisition.



Getting more from your existing systems and data

Many companies find themselves in a position where their legacy systems are struggling to keep pace with the evolving nature of business processes, but most are not in a position to easily replace these. However, constraints around legacy systems should not prevent you from managing your customers better. Implementing MDM can enable you to move to proactive data management and get more out of the IT assets you already have, without embarking on a major change programme to upgrade or replace multiple systems.

Example: Unleashing the potential of enterprise data in the real world

Insurance Firm A – Without MDM	Insurance Firm B – With MDM
Unclear on share of customers wallet	Understands exposure to each customer
Broad, expensive, unfocussed marketing campaigns	Focussed, cost effective, marketing campaigns, targeted offers for each client
Poor customer service, high levels of complaints	Improved customer service, reduced numbers of complaints
Higher customer turnover	Improved customer retention
Lack of solid evidence to prove compliance with regulation	Confident of compliance and easily able to provide evidence when required to the regulators
Lengthy manual workarounds create operational and process inefficiencies	Automated and efficient processes, less prone to human error when transforming or manipulating data



Key takeaway: Change brings with it opportunities. Keep these emerging use-cases in mind when attempting to find the appropriate initial scope and build the business case for your project.

5. Can you make data improvement 'cool'?

Much is being made about the potential for Big Data and Analytics to open up an exciting world full of opportunities in the insurance space, from tackling fraudsters through to understanding the social media intent of existing prospects and customers. This is certainly galvanising many insurers to focus on the power of data, but you need to ensure that you have your own internal data in order and well managed before you are in a position to make the most of such emerging technologies and techniques.

Remember that by definition big data involves large volumes of quickly changing data which is beyond the control of your organisation. The analytics techniques applied to this data can be very powerful and offer great opportunities to those companies

who can provide context to that information through high quality existing customer data. This is where MDM is a critical enabler. When trying to get an MDM initiative off the ground you cannot underestimate the importance of making clear the vital supporting

role it will play in some of the 'sexier' IT initiatives whether it be BI, Analytics or Customer Relationship Management.



Key takeaway: You cannot underplay the importance of eating your greens around the quality and availability of your own customer data before trying to take advantage of big data and other future technology opportunities.



6. Are you minding the data governance gap?

If you were expecting The Data Governance Coach to write a paper on Master Data Management without discussing the how it is intrinsically interlinked with data governance then you are mistaken. One of the most common causes of enterprise-wide MDM projects failing to meet expectations is the lack of consideration given to data governance. Data governance is critical for the success and long term sustainability of your MDM initiative. Without a Data Governance framework in place, the quality of the data in your MDM solution will deteriorate and its potential value to your organisation will not be realised.

Given its criticality I thought it would be useful to provide you with a checklist of 5 key data governance questions to ask when scoping your MDM project.

5 key questions to consider around MDM and Data Governance

- 1** Does your organisation already have a Data Governance Framework in place that can be extended to cover your MDM solution?
- 2** Who is accountable for the quality of the data in your legacy source systems?
- 3** Who will be accountable for the quality of the data in your MDM Solution?
- 4** Who will drafting and agreeing definitions for all data items to be held in your MDM Solution?
- 5** Who will approve any changes to definitions, fields and sources for your MDM Solution once it is in place?

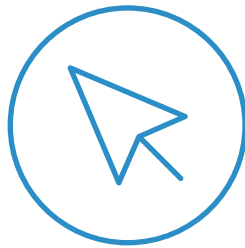
7. Final thoughts

Hopefully this paper has armed you with a few strategies to consider when trying scope an MDM initiative that wins the hearts and minds of your key stakeholders. To de-risk your project and maximise the chances of success, take the time to think about how your organisation would answer the questions posed in each of the sections we have covered. Make no mistake the opportunities available to insurers who prioritise their data as a strategic asset are real and far reaching but it all starts with aligning your improvement initiative to the strategic focus areas of your organisation.

About VisionWare

We help insurers across the globe to understand how they can turn their data assets into competitive advantage. Our Master Data Management (MDM) solution enables you to create a single and trusted view of the customer across the enterprise which is a critical enabler for any CRM or customer centricity strategy. By creating this golden view of the customer you can transform your business by: improving service levels, prioritizing the retention of VIP customers, identifying cross-sell and upsell opportunities, driving new product development, streamlining claims management and integrating newly acquired businesses at pace.

Our approach is centred on creating targeted outcomes for customers by translating MDM technology into industry specific use-cases. Recently recognized by independent IT analyst firm – The Information Difference – as having the ‘happiest customers’ in the customer MDM market, make VisionWare your partner of choice in unleashing the strategic and operational potential of your customer data insight.



It's time to turn on your customer data insight.

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