If you’re undergoing a core transformation, here’s what you need to know about data and reporting to drive success.

Core essentials:
Aligning data and reporting to insurance transformations

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The heart of the matter

The ability to significantly improve data gathering and to produce actionable reporting are “core essentials” for many complex, once-in-a-generation, core insurance system transformations. However, upon completion of such transformations, many carriers are surprised to discover they’ve failed to achieve the desired outcomes. But it doesn’t have to be that way. We’ve identified four common mistakes insurers make and provide key steps to steer your efforts toward success.

For most carriers, a key promise of today’s core systems modernization is stronger and more actionable analytics to improve underwriting, reduce loss, decrease expense, minimize risk, and take advantage of multiple opportunities to boost the bottom line.

Of course, this means that developing new data collection and reporting systems should go hand-in-hand with implementing new core platforms. Getting the intended results from data and reporting modernization, however, often proves elusive. In an attempt to address the deficiencies, many insurers undertake costly data re-engineering efforts—often to little avail because it’s just too late in the game.

The good news is that these mistakes fall into four primary categories and, once understood, can be mitigated to improve outcomes. We examine these four categories in more detail below.

Insufficiently planning and executing analytics systems development. Inadequate coordination between the core transformation effort and reporting needs is a significant contributor to mismatches between goals and outcomes. The core transformation, the business value it’s expected to drive, and the data systems for monitoring actual performance should all be synchronized.

**Falling back on legacy processes and outputs.** Like any technology system, if you don’t take the time to figure out what the users’ needs are, and why those needs exist, it’s impossible to build solutions to match. When it comes to designing data and reporting, falling back on familiar but outdated practices is one of the biggest risks.

**Overlooking architecture and infrastructure.** Just as core systems transformation requires architecture and infrastructure investments, data and reporting modernization need proper blueprints and technology investments.

**Underestimating the importance of data retention policies.** The introduction of advanced analytics tools creates an appetite for using legacy data to uncover trends and opportunities. While trying to satisfy this need, however, it’s easy to overlook the fact that data also exposes insurers to potentially costly litigation.

By drawing on our considerable experience developing leading reporting systems, this paper provides solutions to these four common categories of mistakes to help your company achieve its goals.
With so many carriers undertaking core modernizations, we’ve observed development efforts at a wide range of insurance companies. In fact, using analytics to help automate and improve decisions is a high or very high priority for 90 percent of North American property and casualty insurance CIOs, according to one study (see Figure 1). We’ve observed that those who fall short of their goals tend to suffer from the same mistakes. By carefully evaluating stories of both success and failure, we’ve compiled the leading practices that can help you avoid a similar fate.

Figure 1: Specific digital initiatives planned in 2015 by large insurers

Mistake #1: Insufficiently planning and executing data and reporting transformations.

One of the biggest planning missteps we’ve seen is separating data and reporting systems development from the overall core modernization. Data systems and core systems share co-dependencies and should work in tandem. In addition, running two separate initiatives typically causes resource competition in which core system tasks usually win. In combination, these disparities result in:

- Data streams that don’t provide the right elements or granularity.
- Insufficient analytics capabilities, features, and flexibility.
- Rework due to a lack of unified approach.
- Delays in deploying data and reporting systems, as well as the overall core systems deployment.

Our recommendation: Dedicate a workstream to data and reporting development as part of a larger core systems transformation initiative.

In our experience, avoiding Mistake #1 is often a matter of unifying data and reporting development under the umbrella of the larger core transformation. Doing so enables it to become a dedicated workstream that collaborates with other workstreams. This straightforward adjustment alone is a significant indicator of favorable outcomes.

Successful data and reporting workstreams start with appropriate executive sponsorship, drawn from both data providers and data users. Proper sponsorship helps assemble the right talent from across the enterprise. It also helps prioritize activities appropriately.

Among other tasks, the team determines the scope of reporting needs and then ascertains the types and granularity of data required. To do so, the team should evaluate business requirements, from an enterprise perspective, and develop reporting solutions according to three primary categories:

- **Rear-view mirror.** Historical reports, for evaluating enterprise results and meeting compliance requirements.
- **Dashboard.** Real-time assessments, for determining current business health, spotting trends, and identifying needed course corrections.
- **Navigational.** A combination of historical data, current performance, and forecasted trends, for identifying opportunities and assisting the business with decision making.

In our experience, leading carriers increasingly view navigational reporting as a significant differentiator. We suggest insurers emphasize the development of robust navigational systems to create actionable analytics. Providing actionable data is critical, as analytics for their own sake serve no functional purpose. Examples of actionable analytics include those that produce a change in underwriting appetite, an alteration in claims handling processes, or the pursuit of a business segment that shows profit potential.

Additionally, workstream activities should begin early in the transformation lifecycle, preferably at the same time the project begins. This timing helps ensure data and reporting agendas receive their due. It enables the team to design data capture around downstream needs, focus on achieving line of business and enterprise goals, and keep timelines in sync with transformation activities.
Mistake #2: Falling back on legacy data processes and outputs.

Insurers that inadequately plan their modernization often fall back on what was done in the past, including recreating legacy reports that don’t necessarily address today’s products, markets, regulatory environment, and distribution channels. What’s more, the basic step of understanding and considering the needs of internal and external data users is also missed. For example, compliance users need very granular data for regulatory requirements while marketing users may only need higher-level trend data. Failing to accommodate these contrasting demands can be costly and cause burdensome manual workarounds.

Our recommendation: Clearly define internal and external use cases.

Thoroughly evaluate your internal and external data and reporting use cases. Although this sounds straightforward, it’s not for the faint of heart. Some users will be very clear about their “wish lists,” while others will likely need help conceptualizing how innovation could benefit them.

The key to adequately defining use cases is leveraging executive-level sponsors. These individuals should drive the process of identifying internal and external data users, evaluating their needs in alignment with strategic enterprise objectives, and engineering approaches to match the objectives.

Internal use cases

Any data and reporting need intended to boost an enterprise’s bottom line is an internal use case. Typically, this includes data regarding the business, IT, and operations. The trick comes with assessing existing use cases and determining which to modernize, which to discard, and where to innovate as a means of preparing for the future.

We recommend starting with your enterprise’s current reports as a baseline. This does not imply that every current report should be retained, modified, or discarded. Rather, existing reports should be used to jump start discussions.

As you speak with sponsors and users, challenge them to explain the purpose of each existing report, describe how it’s actionable, and identify its strengths and weaknesses. Challenge decisions made by other users, where appropriate. Expect more reserved business units and individuals to require coaching to articulate their needs, goals, expectations, and “wished for” items.

Next, assist all users with understanding the new data and reporting options your modernization offers and how their work could benefit. Be prepared to provide examples to make abstract concepts more concrete. For example, your pricing department may currently be limited to using bureau data for rate-making purposes. Going forward, your new system could segment policyholders based on various risk-weighted characteristics in addition to traditional attributes, such as the length of time a policyholder has been your customer, and the number and types of policies the customer holds.

Another key use case that often gets overlooked is the reporting needed to assess the realization of expected core modernization benefits. These metrics and dashboards can help leadership understand the return on investment for the transformation effort and serve as important tools in assessing and continuously improving the performance of new core systems.
External use cases
As the name implies, external use cases satisfy compliance, regulatory, auditing, and agent/broker needs. In the future, it’s possible you’ll even field policyholders’ requests in select situations.

Similar to the process for identifying internal use cases, evaluate current reports and help data users understand the benefits of modernization. Confirm that the speed and flexibility necessary to meet new regulatory or auditing needs are built in.

For agents and brokers, a small pilot group of representative constituents may help uncover needs and gaps. Many carriers devote significant resources to improving agent and broker reporting as a key differentiator in the market.

Mistake #3: Overlooking architecture and infrastructure requirements.
Many carriers fail to re-architect their data and reporting as a part of their core transformation efforts. Ultimately, this restricts the ability to execute on new analytics strategies.

Our recommendation: Update the architecture and infrastructure that supports your data and reporting systems.
To support data and reporting scalability, evaluate and update architecture and infrastructure to meet the new considerations and requirements determined by the team. We suggest that you:

- Enable real-time response.
- Reduce manual processes and provide users with automated workflows, including proper approvals, to help ensure appropriate data creation, utilization, and storage.
- Enable mobility (for example, mobile device usage) for agents/brokers and possibly employees.
- Automate data validation controls to monitor ongoing data quality.

One successful way to approach architecture and infrastructure updates is to deploy a modern enterprise data warehouse. Such purpose-built solutions not only improve analytics and reporting, but also accelerate adoption more effectively than legacy systems. This, in turn, boosts your ability to capitalize on your data’s value.

Mistake #4: Underestimating the importance of data retention policies.
With insurers eager to start putting their new data reporting capabilities to use, many forget that data can also become a significant liability, absent an adequate retention policy. What’s more, carriers that have a policy—but fail to implement it—may find themselves subject to costly litigation.

Our recommendation: Formalize a data retention policy, and stick to it.
We recommend reviewing, updating, and formalizing the data retention policy. Beyond providing guidelines on how—and how long—to retain data, enforcing a data retention policy can also help reduce legal risk by limiting obligations to produce historical documents beyond the defined retention period. Afterward, make sure that the proper training and data archival procedures are implemented. In the past, companies not in compliance with their policies have lost the litigation protection it would otherwise provide.

Over time, the lack of a formal data governance initiative can lead to fragmented data environments, impeding the long-term benefits of modernization.
While most insurers know they need a formal data governance strategy, paralysis often sets in due to the magnitude of the project itself. That’s why we suggest taking advantage of a data and reporting workstream to kick off a larger enterprise data governance initiative. This is an effective approach because the workstream already will be performing many of the basic tasks required for establishing the governance environment.

We also advise against relegating data governance to IT, as this can result in business users dismissing the importance of their involvement. Instead, form a cross-functional governance team to accurately evaluate the business value of data. Also, structure the team to include participation from the executive, development, and operational levels—as well as project management staff to help structure and manage the change.

Approached correctly, data governance can create business value, help manage enterprise-wide risk, reduce cost, and drive innovation by leveraging information as an asset.
Establish appropriate data governance strategies

Most insurers lack formal, enterprise-wide data governance strategies. In fact, as shown in Figure 2, one study of insurers showed that while more than half of the respondents see data as “mission critical,” less than half have formal data governance initiatives in place.²

Figure 2: Strategic urgency around data vs. governance for midsize/small and large insurers

<table>
<thead>
<tr>
<th>Data</th>
<th>Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midsize/Small</td>
<td>21.4%</td>
</tr>
<tr>
<td>Large</td>
<td>30.8%</td>
</tr>
<tr>
<td>Midsize/Small</td>
<td>10.7%</td>
</tr>
<tr>
<td>Large</td>
<td>21.4%</td>
</tr>
</tbody>
</table>

Note: Percents indicate distribution of importance (from slightly important to mission critical) by company size for both data and governance.


What this means for your business

Clearly, data and reporting modernization offers significant benefits by providing a host of opportunities to improve competitive posture and reduce risk. Achieving the desired outcomes, however, requires taking the right development approach.

The difference between those who are successful and those who miss the mark typically centers on a common set of mistakes. You can avoid these missteps by adopting the leading practices we’ve discussed in this paper.

Properly modernizing your data and analytics systems enables your company to achieve the goals established at the outset of your core transformation. At a high level, the benefits include:

- Identifying and responding to competitive opportunities that differentiate your company from others.
- Reducing risk exposures.
- Increasing operational efficiency.
- Enhancing policyholder experiences for improved retention.
- Improving return on investment of the underlying core transformation by enhancing the ability to measure and continuously improve on performance.

Although establishing proper data and analytics modernization takes additional effort throughout a transformation initiative, it’s worth the investment. Effective data and actionable analytics are among the few remaining differentiators in an increasingly commoditized industry.

Further, data and analytics modernization significantly impacts the core transformation itself. Sound data facilitates the effective operation of transformed systems and provides the appropriate downstream data feeds necessary for other integrations.

In short, a coordinated approach focused on the “core essentials” helps improve your transformation return on investment while simultaneously expanding the innovation opportunities that enable your company to stand out from the rest.
Core essentials: Aligning data and reporting to insurance transformations,

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