



Explosive Growth Is No Accident: Driving Digital Transformation in the Insurance Industry

*By Mike Sarantopoulos, SVP, Insurance Practice, NTT DATA, Inc.
and David Liliedahl, VP, Life & Annuity Portfolio, NTT DATA, Inc.*

“Quality operational data is a prerequisite to success. If you’re still attempting to operate with disaggregated data, you’re not just standing still—you’ve already fallen behind.”

~ Mike Sarantopoulos, SVP, Insurance Practice, NTT DATA

EXECUTIVE SUMMARY

A successful digitalization strategy is critical to insurance firms' survival. This white paper examines effective strategies for overcoming internal obstacles to digital transformation and the crucial role data plays in any insurance carrier's business. Additionally, it clarifies the foundational capabilities that are key to a successful digital transformation initiative.

They include:

- Driving business transformation with reliable data that identifies profitable customer segments and products to inform a sound growth strategy.
- Eliminating disparate data systems to enable integrated operations, so everyone transacting business can be "on the same page."
- Deploying analytics and reporting that offers clarity into enterprise operations, enabling leadership to assess performance and drive proactive operational improvements.

Finally, this paper illustrates how digital transformation has enabled one of the nation's leading providers of life insurance, retirement solutions, and investment management to experience more than 30 percent growth for three consecutive years, positioning the company to consistently outperform its competitors in the insurance industry.

Digitalization makes possible new kinds of interactions among business, people, and things. And that creates opportunities for insurers to improve all aspects of their business.

What difference does digital transformation make? Plenty.

Historically, technology has played a fundamental role in transforming businesses to gain competitive advantage. Today's insurance carriers face more technological innovations and choices than ever. New digital business models are reshaping the competitive landscape in part because consumers are already reaping the benefits—from monitoring devices that promote safe driving and lower premiums, to mobile storm alerts that reduce claims, to the wearable technologies that track eating and exercise patterns to improve health and lower insurance costs. In addition, insurers are exploring the use of drones to document disasters and using satellite data to reduce fraud.

In short, digitalization makes possible new kinds of interactions among business, people, and things. And that creates opportunities for insurers to improve all aspects of their business. This fact is leading insurance companies to focus not just on new business models but also the digitalization of traditional, legacy business and IT processes to optimize the enterprise. A recent Gartner study observed: "by the end of 2016, insurers leading in digitalization will financially outperform slower digital adopters by 100 percent¹."

¹ Gartner, Inc. "Predicts 2015: Insurance CIOs Need to Balance Opportunities and Risks of Digitalization," Weiss, Juergen, et. al., 19 November 2014

This is a journey, not a program.

A successful digitalization journey requires clearly identifying your business strategy going forward and fully understanding how new digital capabilities will change the way you run your business. Moreover, your success also depends on your enterprise's ability to manage change and create flexibility in your IT ecosystem. You are on the verge of gaining quick access to valuable information you've never been able to integrate and understand before—insights that, when astutely leveraged, have the potential to drive dramatic growth in your business. By aligning your business strategy with your digitalization effort, you can ultimately improve collaboration among agents, reduce both your cost per policy and lost business, and significantly improve cross-sell effectiveness and performance reporting.

The extent to which insurers succeed in managing and sequencing their individual migrations and overall enterprise transformation to digital business will determine success or failure in the new digital world. While many understand the threat of new digital business competitors and the importance of transforming themselves, they are all asking the same question: “What precisely is the scope of digital business for my company, and what do I need to do now to position my company to grow and thrive in the future?”

Clearly, digital business transformation is mandatory, and to accomplish that, you've got to get a grip on your data.

You've got to get a grip on your data.

To successfully behave as a digital enterprise, your data must deliver the answers you need—fast.

Laying the groundwork for your future so you keep the customers you already have, sell them more products and attract new customers requires reliable answers to questions like these:

- Who is likely to buy our products? How do I find more customers like them?
- How many of our customers have more than one of our products?
- What prompted them to purchase second, third products?
- Who are our most successful, profitable agents? What are their common characteristics?

Insight is achieved only after all business processes and systems define and use key data in the same way. Then buying trends can be understood and operational intelligence established, giving senior leadership the insight to refine growth strategies and business operators the knowledge to improve processes.

Let the transformation begin.

Getting a grip on your data starts with building a strong foundation.

NTT DATA's Data Management Framework for Insurance (DMFI)—a part of Enterprise-Grade Digital Business by NTT DATA—is designed to serve as the foundation for digitally transforming an insurance enterprise.

DMFI is an insurance-specific data model that enables interconnectivity across the application ecosystem, seamless digital business processes, and insightful analytics.

In the simplest terms, DMFI is somewhat analogous to a “decoder ring,” in that it occupies an abstraction layer between an insurer's legacy enterprise and modern systems, translating nonstandard data into standard data

terms to allow transferability of data across the entire IT ecosystem. This provides carriers with an accelerated means to digital transformation by masking the inconsistencies of legacy system data.

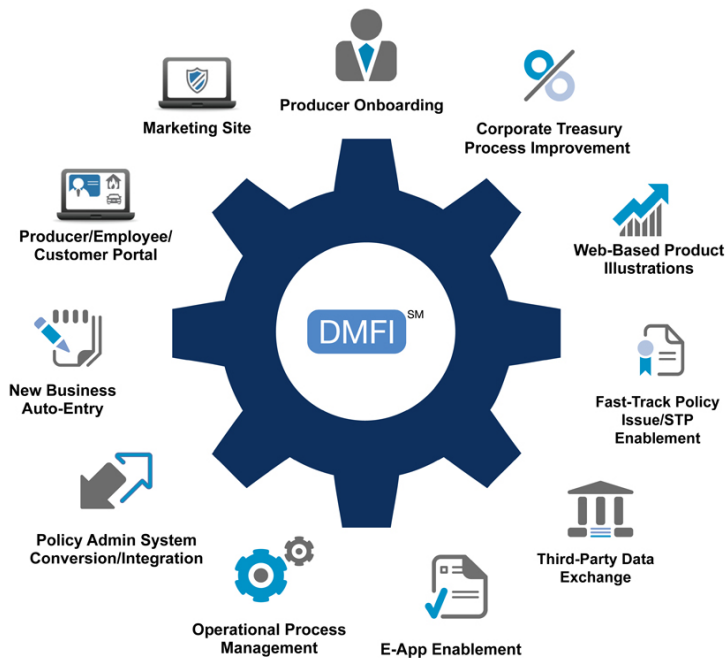


Figure 1:
NTT DATA's proprietary Data Management Framework for Insurance solution integrates all aspects of your insurance business to deliver the valuable insights that fuel business growth.

NTT DATA partnered with a leading insurance industry client that was embarking on its digitalization journey. By focusing first on building a strong data management framework, the company was able to show early successes with key stakeholders and lay the foundation for much-needed process modernization. Let's examine the impressive results we were able to achieve through DMFI.

CASE STUDY

The Challenge

Legacy systems and inefficiencies with agencies were beginning to constrain our life insurance client's growth. Further, new competitors were entering its region. Our client was intent on digital transformation to improve agents' ease of doing business, reduce per-policy costs, reduce lost business and ensure rapid, accurate forecasting and performance reporting. The company entered a multi-year engagement with NTT DATA to accomplish its goals, using the following steps.

The Solution

NTT DATA worked with our client to establish its long-term IT flexibility and guide the company's migration from a mainframe-centric operating model to a data-centric, service-enabled model. **Creating a master data model** equipped the company with clearly defined agent, customer, and employee data hierarchies that provided a single view of data and enforced high data quality standards.

Next, we worked together to **operationalize the data stores** by defining data interfaces, operational data store architectures, and reporting. Bringing to life the theoretical data model established the core foundation for system connectivity and accurate, trusted reporting.

Finally, we **guided the build-out stage**, in which we defined and developed business and technical services required to connect systems and establish business intelligence. We concurrently developed an implementation roadmap aligned with the client's business strategy to roll out change across the organization—key to any successful digitalization effort—and the transformation was underway.

The Results

As a direct result of its digitalization journey, our client has already realized **impressive gains in top line, strategic growth**. Chief among these improvements are growth of more than 30 percent for three consecutive years for new life premiums and annuities and tripling its distribution network in just three years. Through analytics, the company is now empowered with access to business intelligence about products, channel expansion, and revenue growth strategies.

Additionally, our client has seen a **dramatic increase in overall channel efficiency**. Digitalization has enabled the company to reduce agent on-boarding time from a five-week average to just three days, as well as achieve its initial goal of lowering costs per policy through automated underwriting for defined face value policies. It has also succeeded in improving productivity by creating an agent portal for on-demand commission and application status reports.

Finally, the company is reaping **significant benefits from overhauling its strategic reporting capabilities**. It now operates on a reliable foundation that enables informed decision making made possible by mobile executive dashboards with near-real time, critical corporate performance indicators and drill-down capabilities. Accurate ad hoc reporting gives business operators timely insight into potential problem areas. Interaction with agents has improved as a result of better agent/agency communication and reporting.

Our client's journey continues, as they recognize that transformation is an ongoing effort to stay ahead of the competition. With a solid data management foundation at the core of the IT ecosystem, our client can continue to evolve with greater insight and lowered risk of operational disruption. Now, our client's executives aren't talking about systems and data as constraints. They're using systems and data to optimize the business. ■

Keys to Successfully Sustaining the Transformation Journey

- **Align program to strategic business outcomes and enable measurement of ROI**
- **Examine business processes holistically**
- **Communicate and partner with the field force and internal stakeholders**
- **Start small with a well-defined scope and celebrate early wins**
- **Expand scope while stabilizing the new ecosystem, so the transformation journey continues**
- **Explore innovative new technology as the technology ecosystem becomes more modular and flexible**

CONCLUSION

There is proven value in embracing change: NTT DATA and our client succeeded in exploring new possibilities and accomplishing the insurance company's digital transformation, while surpassing its goals. This insurance company subsequently experienced explosive growth of 30 percent three years in a row and now leverages its systems and data to optimize its business.

As transformation initiatives are undertaken, it's important to remember that "digital" is an approach to doing business, rather than a solution in and of itself. Each company's digital business strategy and resulting solutions are unique. Nevertheless, leveraging core digital business elements establishes a firm foundation for greater customer centricity, improved business agility, and increased operational responsiveness. Insurance organizations that cultivate these attributes position themselves to realize a measurable, sustained improvement to their business performance and speed to market.

With the right foundation and approach, other insurers can achieve results similar to this particular client's. Enterprise-Grade Digital Business by NTT DATA helps organizations take a deliberate, measured, and incremental approach to digital transformation. For our insurance client, that meant starting with sound, modern data management practices—made possible by NTT DATA's DMFI solution—to integrate systems and aggregate data to produce actionable insights, keep organizations competitive and establish a pathway to continued transformation. What insurance organization would not benefit from an optimized, productive, and profitable agent channel and access to deep, accurate insights regarding customers, products, and agents?

About NTT DATA

NTT DATA is a leading IT services provider and global innovation partner with approximately 75,000 professionals based in more than 40 countries. NTT DATA provides premier professional services, including consulting, application services, business process and IT outsourcing, and cloud-based solutions. We're part of NTT Group, one of the world's largest technology services companies, generating more than \$100 billion in annual revenues and partner to 80 percent of the Fortune 100. Learn more at <http://www.nttdata.com/americas>.

About Outsourcing Center

The Outsourcing Center has more than 175,000 loyal subscribers to its multiple publications filled with thought provoking, relevant content from industry leaders on the state of the technology, outsourcing and telecommunications industries. The majority of our readers are from Fortune 500 companies along with midsized and small businesses that visit the site each month. The Outsourcing Center also provides a number of services to include market communications, branding and feedback on buyer perceptions and the future of managed service offerings, M&A and sourcing transformation. For more information about the Outsourcing Center, visit <http://www.outsourcing-center.com>.