

# Improving Insurance Enterprise Agility with a “Data First” Integration Approach

**Karen Pauli**

Research Director, Insurance

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## Executive Summary

Insurance executives recognize that the insurance business is exponentially increasing in complexity. Business drivers are global and the pace of business is no longer measured in months and years, but instead it is now measured in hours and days. Distributor and consumer requirements must be met or an insurer’s best customers may be lured by competitors. Attracting and retaining new employees is a challenge given the competition for workers with new skills around analytics and models. Valued and experienced insurance staff must be freed from repetitive tasks so they can provide outcomes that bring true value to customers.

Adopting data driven decisioning is an imperative to address all the noted business challenges. Yet, standing squarely in the way of achieving new goals and objectives are old, inflexible legacy systems. Insurers have been replacing legacy technology since the early 2000s. Core system replacement allows insurers to address operational efficiency, which is a high value outcome. However, as new business challenges are surveyed, it is apparent that the ultimate solution lies in the base element of all transactions — data. Technology that allows insurers to leverage their own structured and unstructured data, the flow of new external unstructured data such as social media and telematics, and third-party external data must be part of every insurer’s IT roadmap. Following is a case study illustrating one insurer’s journey toward optimizing data to address business challenges.

## Insurer Profile

PMA Insurance Group, located in Blue Bell, Pennsylvania, was established in 1915, and is a member of the Old Republic family of companies. The insurer is a multi-line commercial and casualty carrier specializing in workers compensation and third-party administration (TPA) competencies. The company has product sales in all US states and has between an 85% to 90% customer retention rate and a 96% customer satisfaction rate.

Essential to PMA was that any technology initiatives would not damage its customer retention and customer satisfaction ratings. Additionally, the company was adamant that technology adoption must support and enrich relations with the independent agents and brokers with whom they rely upon for a quality flow of business.

### ***Influencing Business Drivers***

In addition to the general business drivers influencing the insurance industry today, PMA felt impact from the following internal and external drivers.

**Corporate growth objectives.** PMA had established an aggressive multiple-year growth plan. The CIO wanted to develop an IT structure that would keep pace with the plan without increasing costs.

**Medical costs.** Increasing costs of medical care, particularly pharmaceuticals, cut into financial results, requiring PMA to seek alternate methods to positively impact financial results. Additionally, changing cost structures require monitoring and assessment, which was challenging given the lack of immediate access to data.

**Regulation.** Uncertainty about federal regulatory requirements such as health care reform demands technology flexibility that was not currently available at PMA. Growing Medicare involvement and the future of long-term care were additional points of concern.

**Competition.** The competitive landscape had radically changed. PMA wanted to increase “smart” competitive skills around product and pricing.

### ***PMA Vendor Assessment, Actions, and Results***

PMA IT and business participants determined that, strategically, investment in the current internal technology environment was not the course they wished to follow. PMA sent out requests for information (RFIs) and gathered information from multiple technology providers. After reviewing this information and existing technology partner capabilities, the company chose to adopt Insurity’s Insurance Enterprise View (IEV)<sup>i</sup> technology in order to reach its strategic goals and support the company’s long-term growth objectives. Primary drivers of this decision were a long-standing, positive relationship with Insurity and IEV’s data-centric response for agility, cost effectiveness, and speed to conclusion of the project. The IEV solution would be able to address policy and premium requirements through data consolidation and data integration.

PMA developed a roadmap to achieve the following objectives and overcome business challenges:

- Retire legacy applications to enable data accessibility without dependence on IT.
- Consolidate multiple policy administration transactional systems and data repositories.
- Incorporate PMA financial closing into IEV.
- Implement system consolidation in phases to manage expense and operational risk.
- Implement IEV in phases to reduce operational risk and maintain financial data integrity.

PMA was able to complete the first phase of their project in two years. This included the conversion of two lines of business and the addition of five others.

### ***What PMA Learned***

In addition to functional results, PMA IEV adoption revealed the following:

- The value of a data first strategy is that incremental costs of new products and pricing decrease over time.
- New products will require less IT investment for integration.
- Data governance is stronger.
- Financial reporting can be more automated, faster, and with better controls.
- Financial reconciliation can be simplified.
- Uncoupling data analytical need from transaction processing provides more self-service capabilities for the business lines.

PMA continues to further consolidate its technology stack and drive IEV deeper into the core of business and technology operations to support reporting, analytics, auditing, and corporate growth goals.

*Insurity commissioned CEB TowerGroup to conduct independent research and analysis of data driven system modernization strategies in financial services. The content of this case study is the product of CEB TowerGroup and is based on independent, unbiased research not tied to any vendor product or solution. Although every effort has been taken to verify the accuracy of this information, neither CEB TowerGroup nor the sponsor of this case study can accept any responsibility or liability for reliance by any person on this research or any of the information, opinions, or conclusions set out in the report.*

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<sup>i</sup> Insurance Enterprise View is a unique enterprise data integration solution that reduces total cost of ownership for insurance carriers. It packages several usually independent data components, from transactional and operational data stores to data marts, along with an extensive set of out of the box reports and preconfigured analytics supporting key insurance areas such as underwriting, actuarial, compliance, and sales and marketing. By combining these components into a single integrated product engineered specifically for insurance, Insurance Enterprise View reduces IT complexity and maintenance cost, and increases flexibility to respond more quickly to business priorities.