

Digital Transformation

Do You Trust Your Data?



Katie Horvath, CEO of Naveego



Digital Transformation in the Insurance Industry

Insurance Industry is Investing in Digital Transformation

\$2.6B

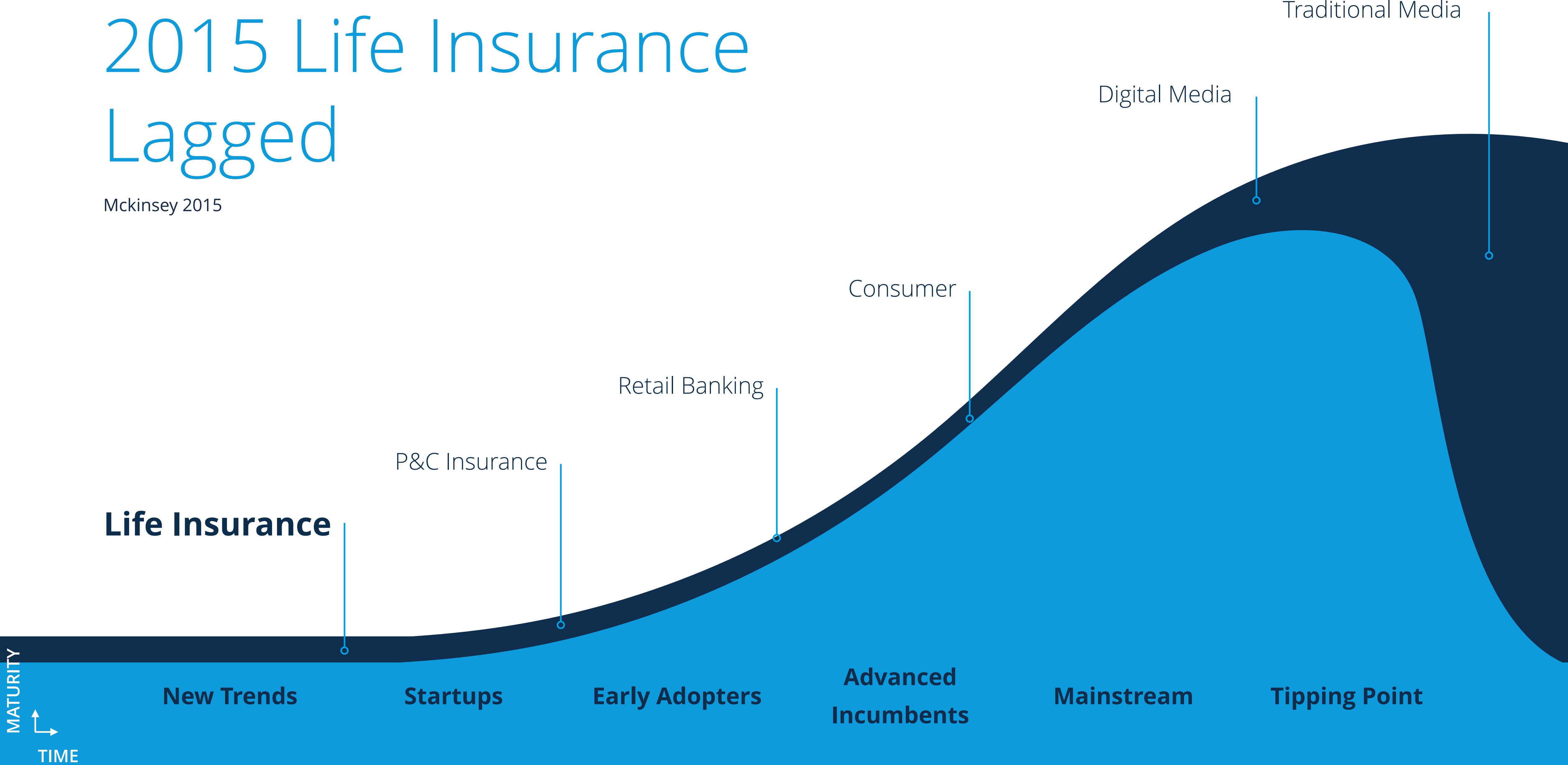
By 2021

Investments by insurance companies in data technologies



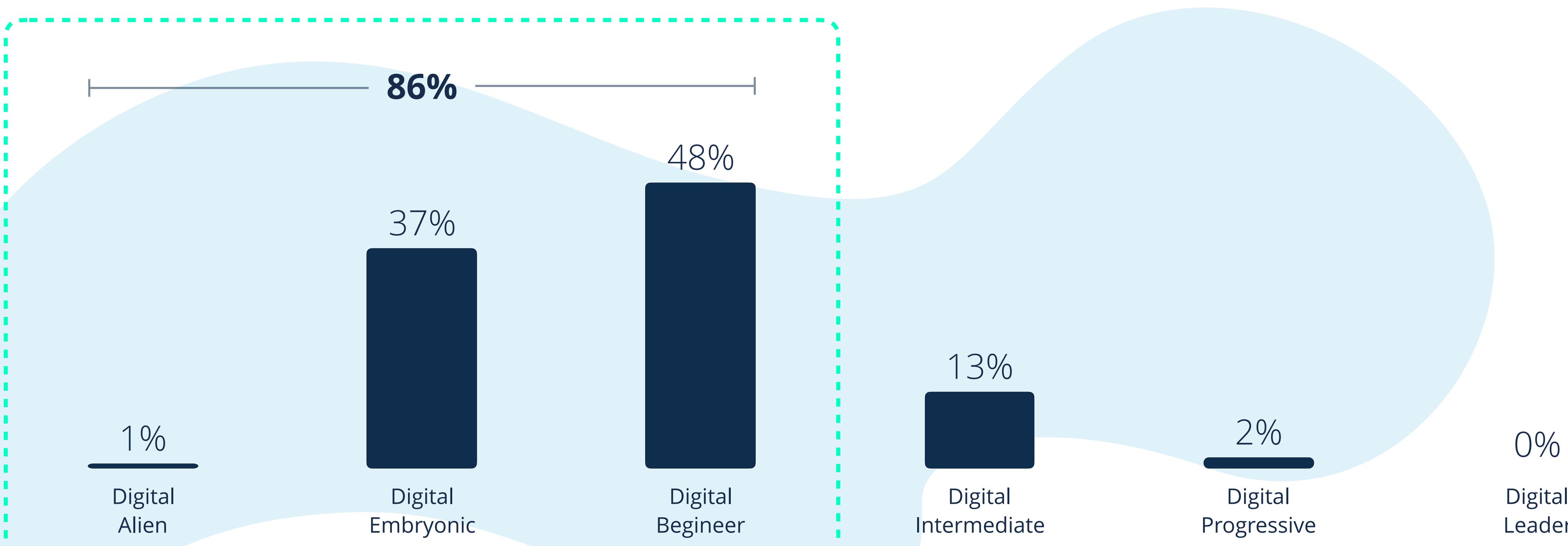
2015 Life Insurance Lagged

Mckinsey 2015



2020 Insurance Industry Digital Maturity

N = 168, Global P&C and Life Insurers / Source: Gartner (December 2020)



Insurance Industry Digital Profiles

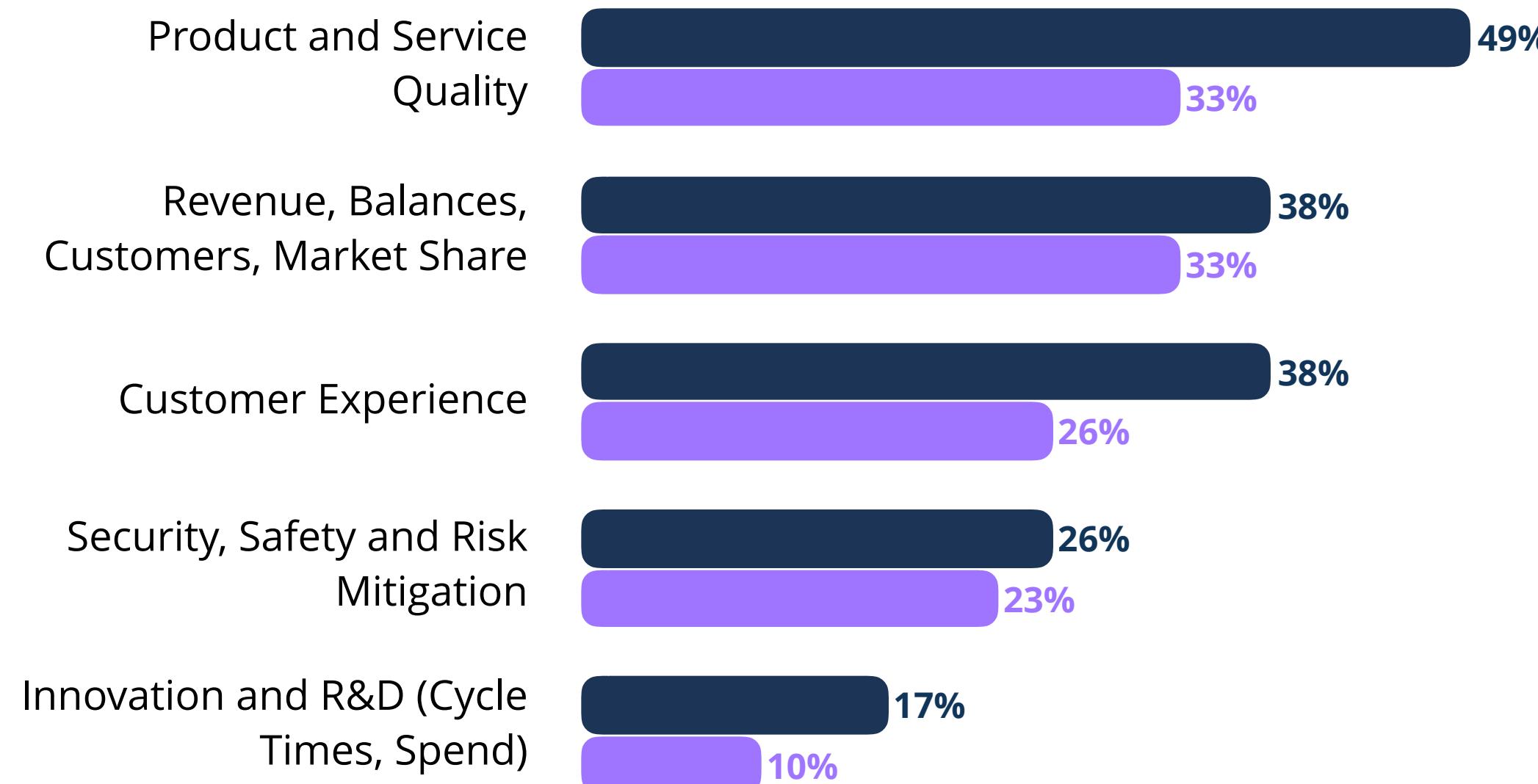
Gartner 2020



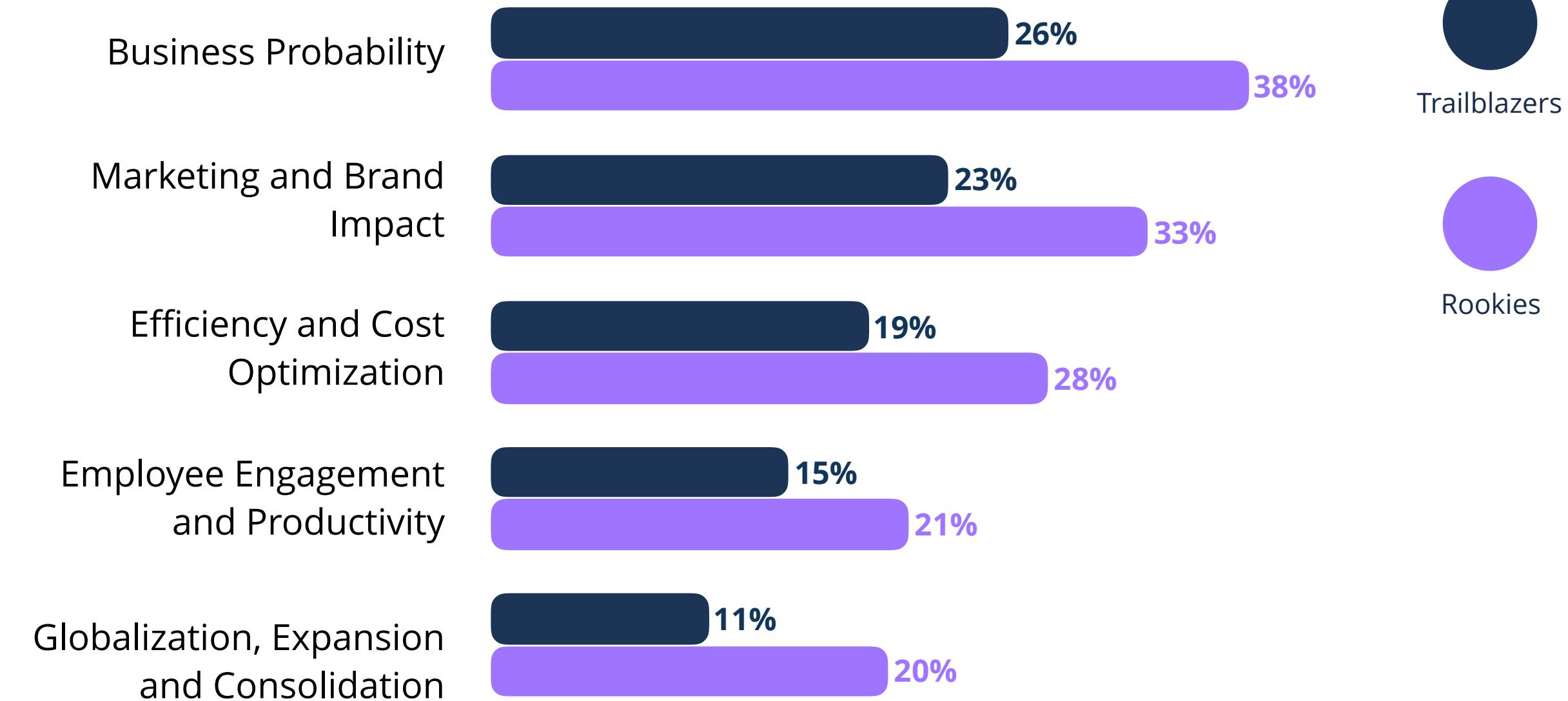
Top 5 Business Goals Compared

N = 53, (savvy trailblazers); 61 (ambitious rookies) / Source: 2019 Gartner Financial Technology Survey

Goals Prioritized by Trailblazers

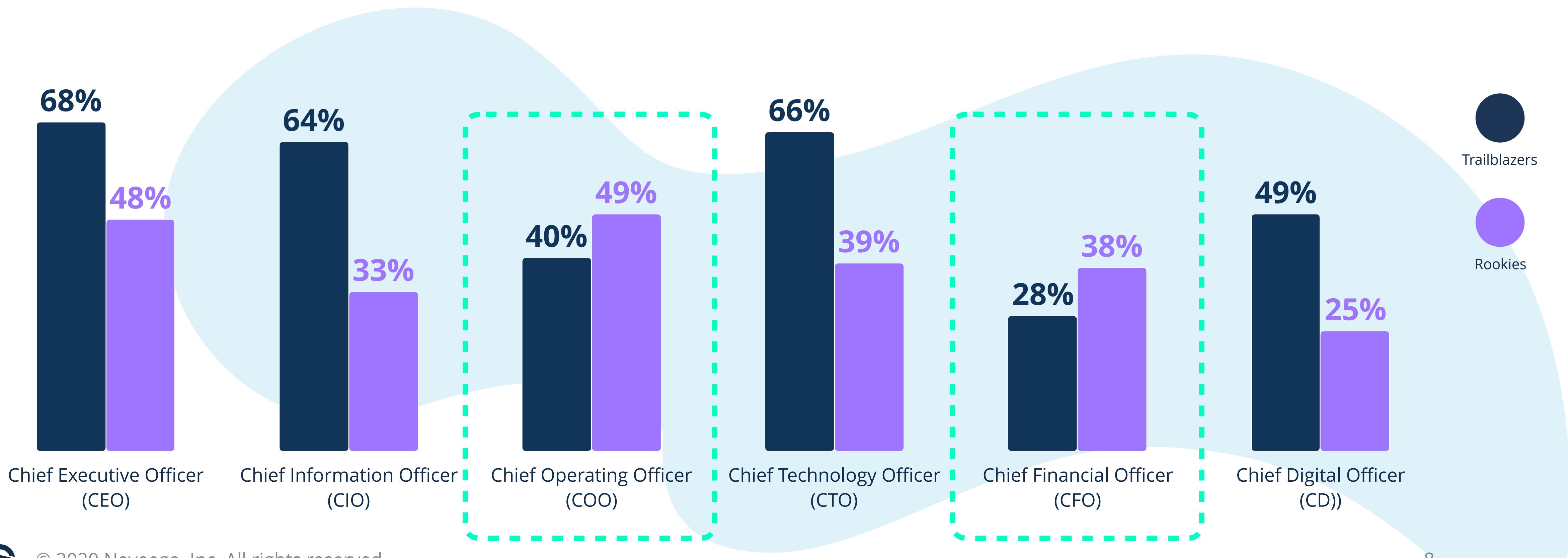


Goals Prioritized by Rookies



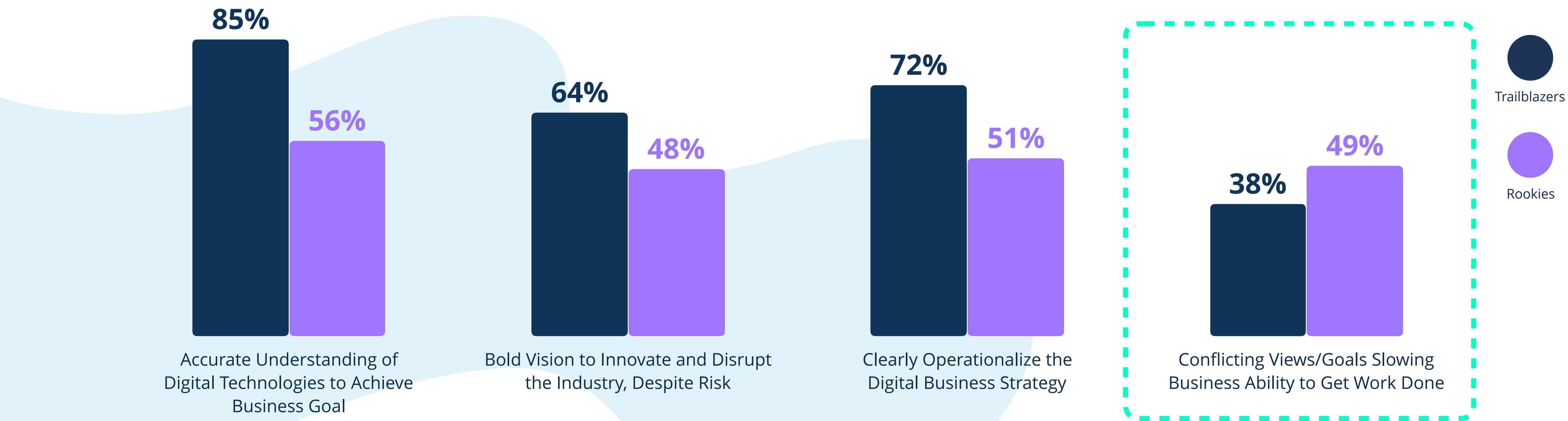
C-Level Collaboration on Digital Strategy

N = 53, (savvy trailblazers); 61 (ambitious rookies) / Source: 2019 Gartner Financial Technology Survey



Attributes of Digital Strategy

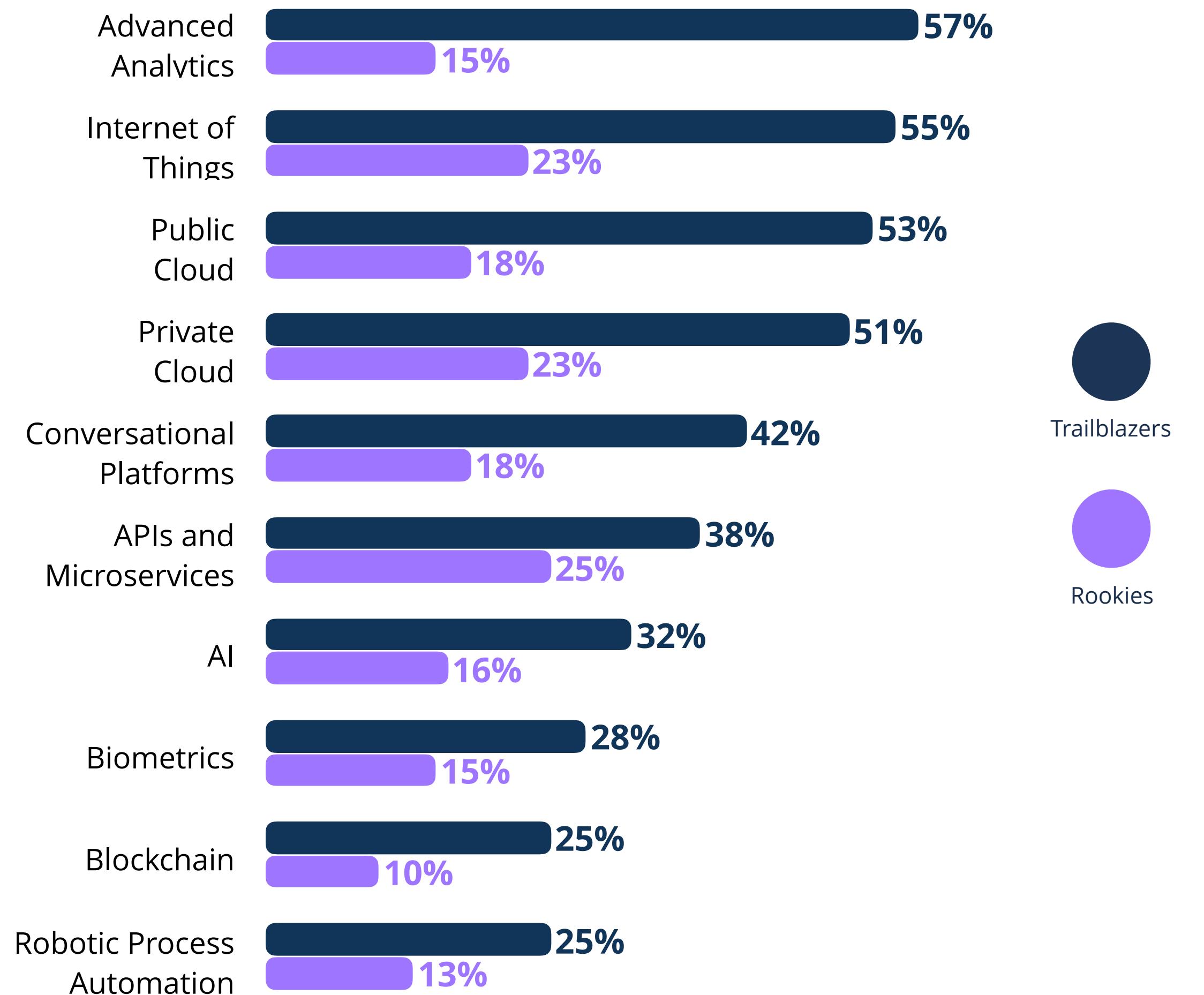
N = 53, (savvy trailblazers); 61 (ambitious rookies) / Source: 2019 Gartner Financial Technology Survey



Insurance Industry Adoption of Emerging Technologies

Percentage of Organizations That Have
Deployed These Technologies

N = 53, (savvy trailblazers); 61 (ambitious rookies)
Source: 2019 Gartner Financial Technology Survey



WHY Insurance Lags with Digital Transformation

Global P&C and Life Insurers CIO (n = 168)
Source: Gartner 2020

- IT budgets have not grown (avg. 3.8% in 2020 – most legacy maintenance)
- Lacking vision re WHY need to change
- Not yet challenged by disruptor
- Roadmaps tactical and not strategic (process optimization over business model transformation)
- Culture = inherent lack of appetite for risk

**Yet lack of business vision on future industry risk
puts 50% of industry at risk of disruption by 2023**



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Key to Digital Transformation

Data is the Key

“

Computing hardware used to be a capital asset, while data wasn't thought of as an asset in the same way. Now, hardware is becoming a service people buy in real time and the lasting asset is the data.

Erik Brynjolfsson

Director, MIT Initiative on the Digital Economy



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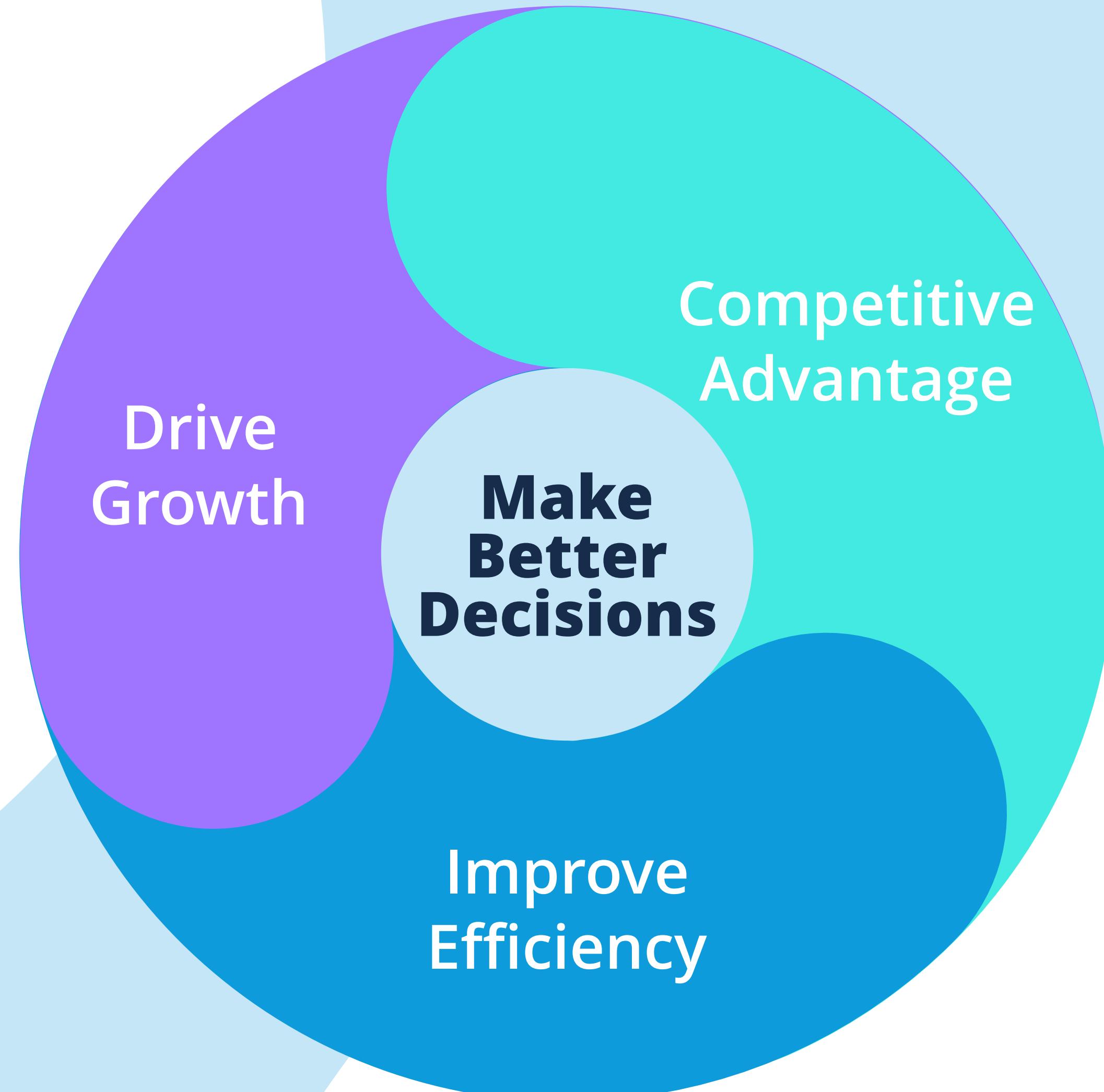
Data Advantage

\$430B

advantage to those
who use all data

– IDC





Why become data-driven?

“

Don't approach data analysis as a 'cool science experiment' or an exercise in amassing data's sake. The fundamental objective in collecting, analyzing and deploying data is to make better decisions.

- McKinsey 2018



Data Analytics Advantage

Finance

75%

Of time spent in analytics by 2020 vs 25% in 2015

Cut costs, improve security and better insights

Marketing

375%

Increase in analytics spending by marketers by 2020 vs 2017

Improve customer acquisition, retention, and loyalty

Sales

4x

Faster quota attainment by sales teams that use analytics

In-depth customer knowledge and personalization

HR

70%

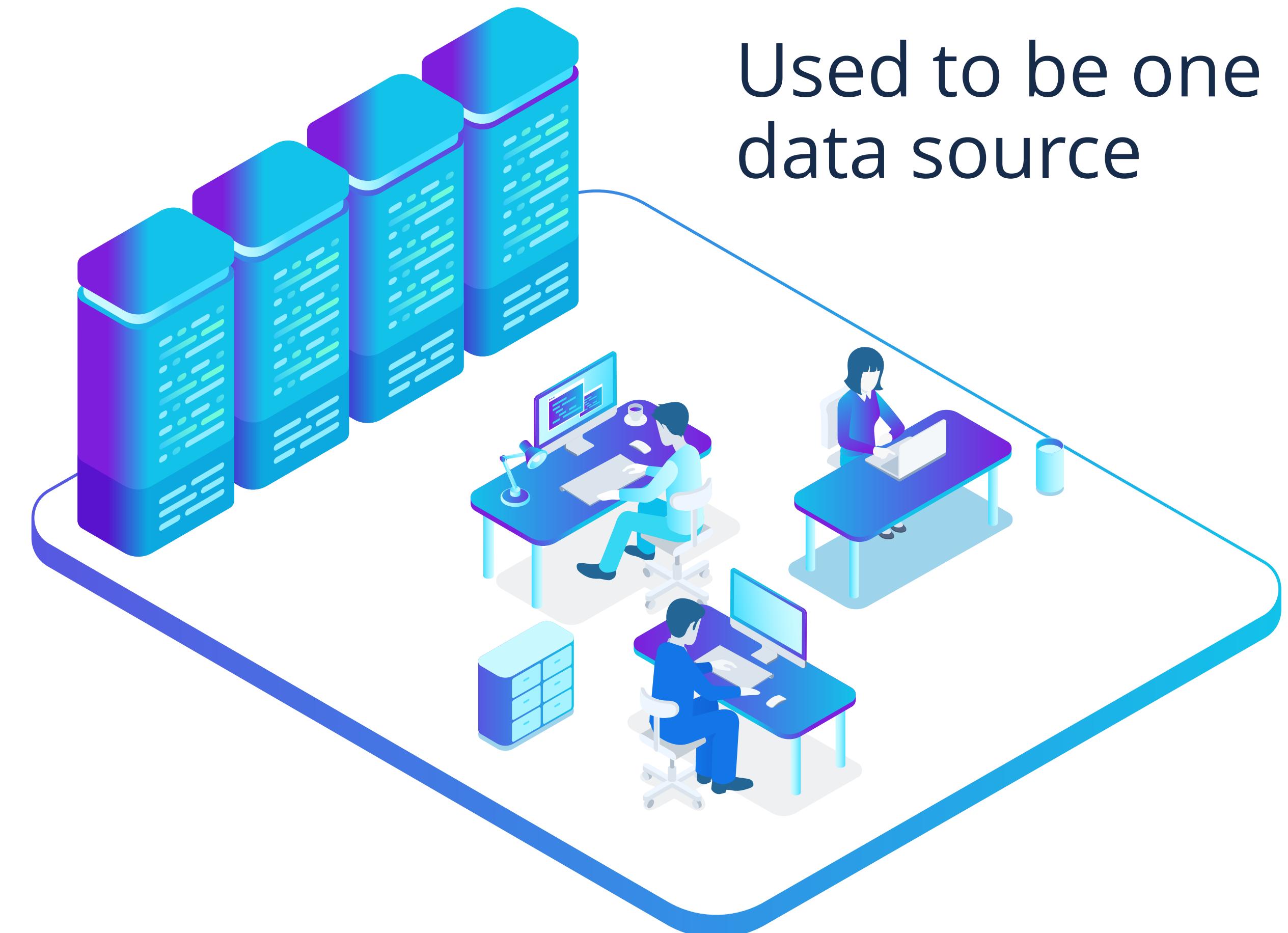
In the midst of major data projects for decision making

Improve recruiting, career development and success



Understanding Data

Evolution of Data



sales



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Best of Breed

ORACLE

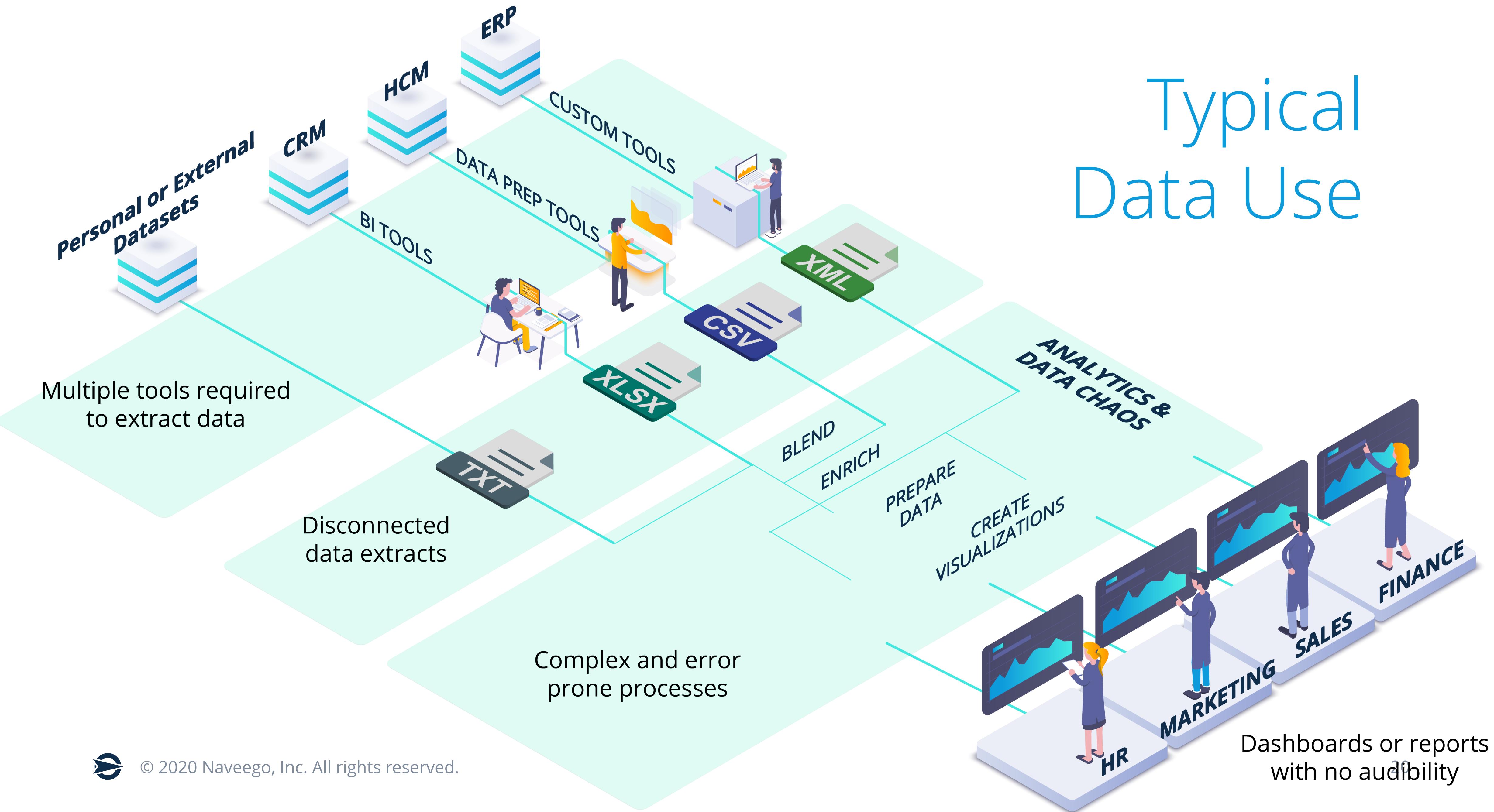


Created fragmentation
and a need for integration

salesforce



Typical Data Use



Effect of Data Silos

Fragmented data = Inconsistent data

Lost data

Unused data

Analytics - results depend upon which data you pull

No data governance

Untrusted dashboards

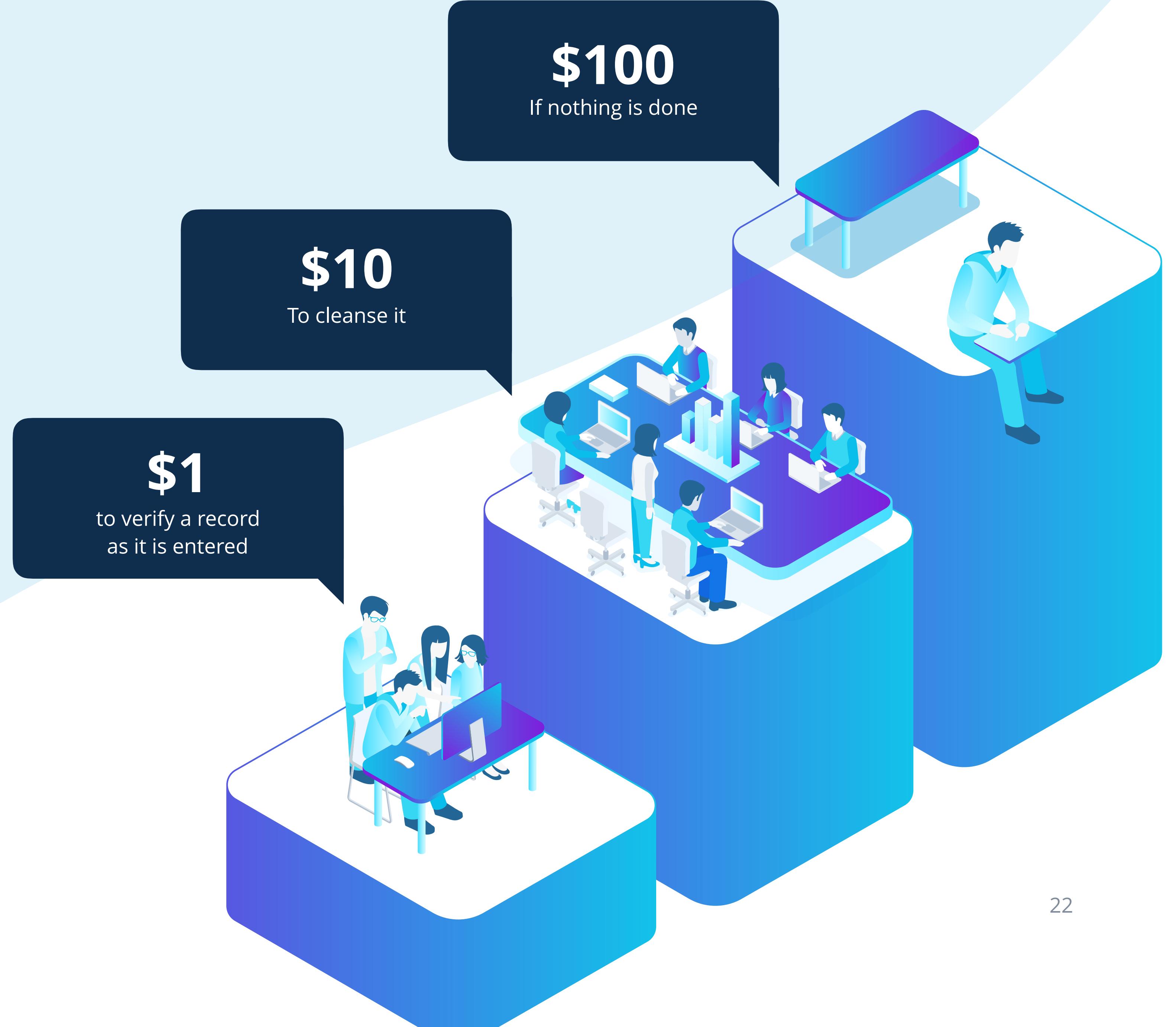
Decision-making based upon “bad” erroneous data leads to bad decisions



Cost of Bad Data

1-10-100 cost of inaction rule

- IBM



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Cost of Bad Data

On average, 47% of newly-created data records have at least one critical, work impacting error.

- Harvard Business Review

EXAMPLE

5,000,000

Records

47%

2,300,000

Bad Records

\$230,000,000

Annual Cost of Bad Data



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Disconnect between Importance and Implementation

Typical annual spend on big data and analytics: \$50MM (40% increase from 2018)

- Big Data and AI Executive Survey, Harvard Business Review 2019



Top Reason Why Data Initiatives Fail

Lack of Business Adoption

- Lack of Business Adoption - 77% of failures (HBR 2019)
- #1 problem for insurance industry (Gartner 2019)
- Decentralized data
- Cross-departmental/divisional problem
- IT are the owners of choosing solutions
- Multiple data stewards are the owners of content
- Different ideas of what data should look like and different data models – never reach agreement
- Internal politics over process

Recommend: Chief Data Officer and centralized data management process to prevent failure



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Legacy technologies not working

- Expensive
- Require infrastructure change
- Highly skilled resources (FTEs or consultants) needed to build solution
- 12-18 months to get solution built
- Highly skilled resources needed to maintain solution
- Adding new data sources = another 6 month project
- IoT analytics non-existent because mapping cost prohibitive



Data Transformation Process Breakdown



Data Transformation Process Breakdown



- Investment in Data Collection
- Disparate data sources
- Conflicting data formats
- Data not yet usable
- Data not integrated
- No ROI
- Problem only getting bigger

3000%

Number of connected devices growth from 2018 to 2020

180 ZB

Data by 2025

10%

Insurers able to monetize their IoT data by 2023 (Gartner)

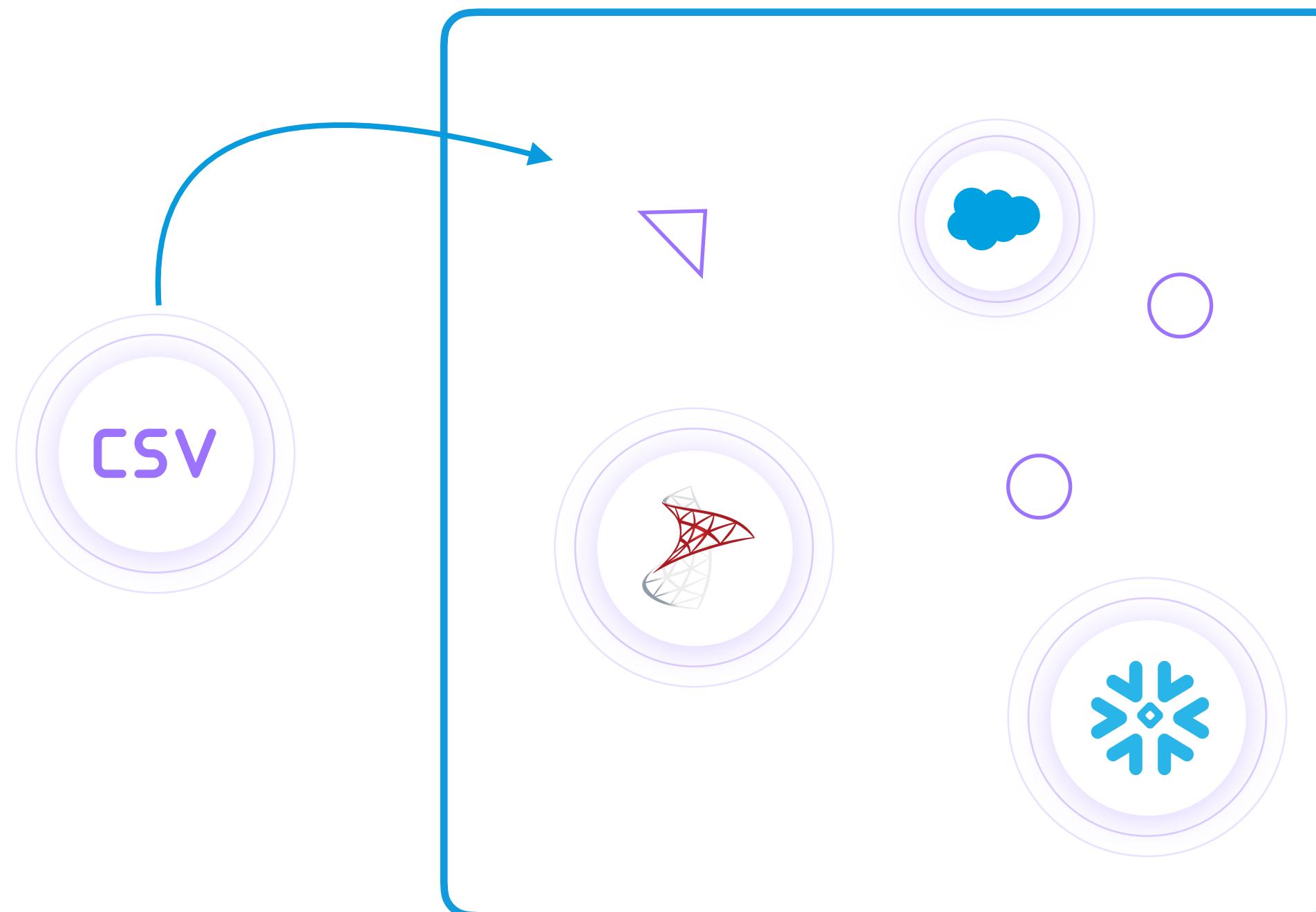


Data Transformation Process Breakdown



Solves problem of moving data from outside sources into one place, however:

- Data not connected and not cataloged
- No data quality or governance
- Lineage broken (where did it come from?)
- Stalls with IT
- Only moved problem



Data Transformation Process Breakdown



- 80% of data scientists time on finding/prepping data
- 30% can find the data they're looking for
(IDC 2019)
- 20% are successful in preparing data for analysis
(IDC 2019)
- Not ready for analytics – stalls with data scientists



Data Transformation Process Breakdown



- Multiple answers for same report depending upon data source used – which is correct?
- Only 5% of insurance CIOs report they are effective in harvesting results from digital
- (Gartner 2019)



If Analytics Isn't Enough . . . Compliance!

California Consumer Privacy Act (CCPA)

Similar to GDPR

Applies to:

- All companies having \$25M+ in revenue
- Personal data on 50k+ people
- Collect 50%+ revenue from sale of personal data
- DO NOT have to be based in California or have physical presence there

Compliance:

- 45 days to produce a copy of all personal data, identify who you shared it with and delete it, if requested
- FAILURE TO COMPLY: fine of up to \$7500 per record + operational time



Solution

Discover

Integrate

Cleanse

Govern

Golden Record

Analytics Ready

Must have data management solution
to bring disparate data together across
an organization for consistency and
better collaboration:



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- Automatically discover and understand data form/format
- Automatically profile data content
- Know what you have before you decide to use it or move it



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Bring together data silos:

- Data basements made useable
- On premises data sources
- Cloud based data sources
- Third party data sources

Not saying move the data...but connect the data



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- Use profiling results to understand expected values, ranges, detect anomalies
- Automatically set and enforce data quality standards
- AI/ML – learning models to move from reactive to proactive to predictive to prescriptive



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- Lineage trail – where did data come from, where did it go
- Audit trail of changes made
- Data catalog / dictionary



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Single source of truth:

- Cleansed data
- Matched data
- Merged data
- Data field by data field
(not entire record)
- Data in motion



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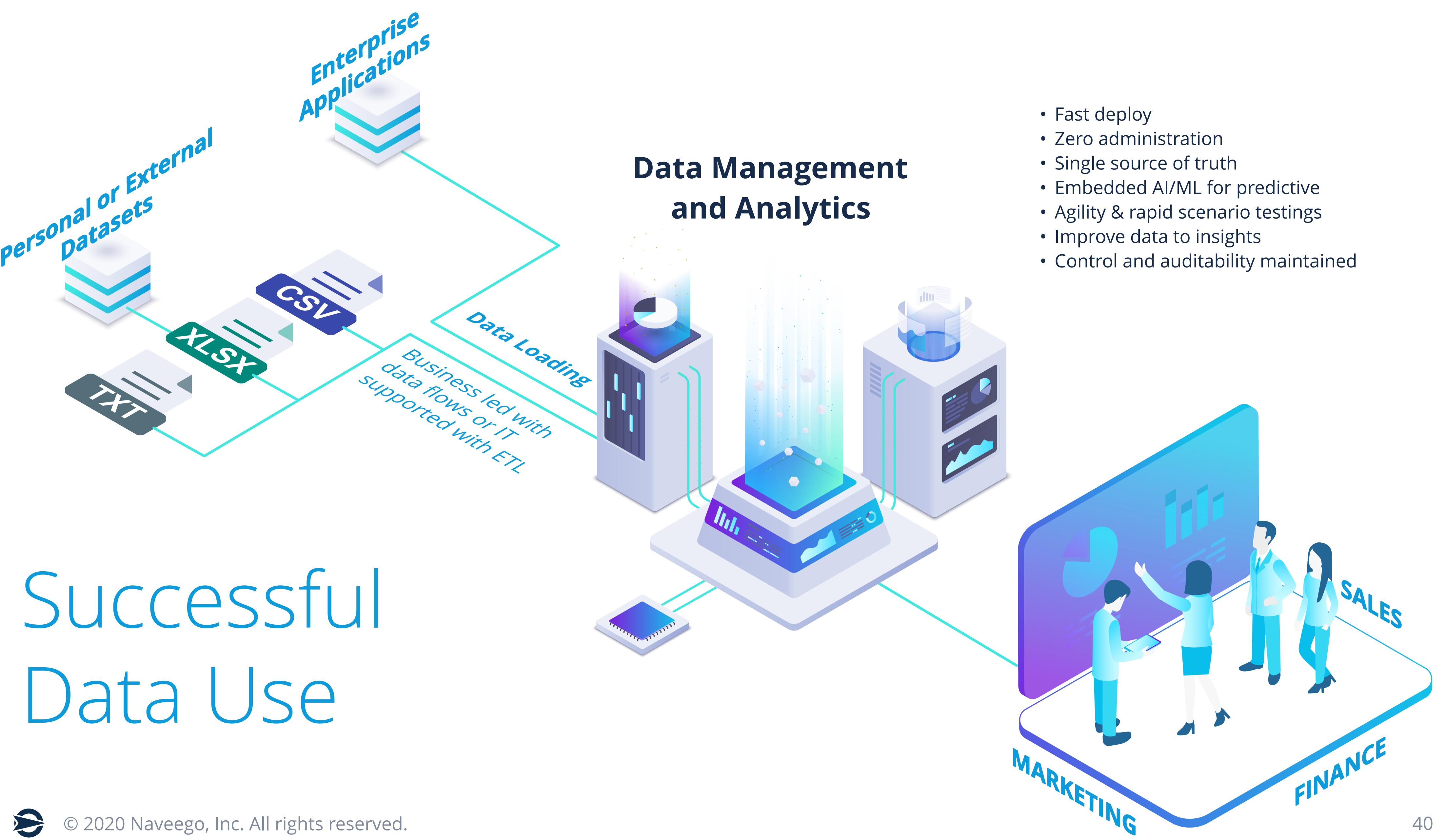
Analytics Ready



- Real-time data stream
- Feeds to your dashboard, analytics, AI/ML
- Populates data warehouse/lake



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Technology Game Changers: Cloud

- Time to value
- Connect to disparate data sources quickly with APIs
- Most companies have hybrid and multi-cloud needs
- Mapping projects simplified
- ROI strong and realized in short term



60%

have adopted cloud-based applications

Competitive advantage:

- innovate faster
- better economies of scale
- lower IT spend
- increase operational efficiency
- significantly higher straight-through processing (customer-centric enabled)
- matured analytics strategies

Leaders



Gartner 2019

89%

rely on mainframe applications

Laggards

Technology Game Changers: Self-Service

- No code platform for business users
- Puts analytics in hands of data stewards
- Under the hood, maintains data control and integrity
- Business and IT Collaborating



The Future: Customer 360

- Typical insurance data: policy centric
- Move to customer centric 'golden record'
- Use customer data to customize products and services, automate processes
 - Better marketing
 - Better underwriting
 - Better decision-making
 - Meet GDPR and CCPA compliance
 - Easily add in new data sources (connected devices/apps, IoT data)

Only **25%**
have achieved
Customer 360



Gaining Data Trust is Critical

Consumer trust to manage personal
data safely and responsibly

- 19%** trust insurers
- 67%** trust their banks
- 46%** trust credit card companies

Yet 47% of insurance customers are willing
to share data if it means lower premium

Gartner 2020



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Key Components of Successful Digital Transformation Initiatives

- ✓ Remove data silos and fragmentation
- ✓ Data Governance
- ✓ Chief Data Officer
- ✓ Business & IT collaboration
- ✓ Adopt new business models - driving growth with data (i.e. usage based insurance)
- ✓ Strong customer mindset
- ✓ Real-time response to customer requests starts with real-time data
- ✓ Customize products and services





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