Controlling risks, promoting innovation: IBM Data Governance solutions for the insurance industry

Introduction

The insurance industry is no stranger to risk. After all, insurance companies have spent generations perfecting the science of calculating and underwriting it. But what happens when risk hits a little closer to home? When the insurance company itself is the subject of blaring headlines announcing a serious misuse or breach of data? When failure to comply with just one of many regulations can mean jail time? And new niche players seeking to upend the traditional value chain enter the market in record numbers?

One answer is data governance. Data governance helps establish who's accountable for what information—and what they're doing with it. It helps ensure organizations can trust their own data—then leverage it to create innovative products and services to combat competitive threats. One of the top priorities for companies and governments throughout the world, a strong data governance framework can help you:

- *Evaluate risk to protect critical data.*
- *Establish business policies defining business controls.*
- *Speed your response to compliance measures.*
- *Effectively leverage information to increase innovation.*

This white paper explains how IBM can help your insurance company design, implement, manage and maintain an effective data governance support structure. Based on Business Partner solutions and research concepts, the IBM Data Governance initiative brings together proven business technologies, collaborative methods and best practices to help build consistency and data quality control throughout your organization.

New era, new risks

A decade of dramatic changes in the insurance industry has left a landscape forever altered by consolidation and globalization, intense financial scrutiny and the breakdown of traditional organizational structures. These changes confront the insurance industry on every level of the value chain: While channel managers struggle with increased demand for alternative sales and service channels, claims managers face increased loss, cost inflation and the growing severity and frequency of manmade and natural catastrophes. Underwriters, meanwhile, are left to deal with increasing reinsurance rates and the need for reinsurance, rules, rate maintenance and compliance utilities.

Insurance is also one of the most heavily regulated of all industries. For example, regulations such as Sarbanes-Oxley in the United States, the equivalent European Sarbanes Oxley and the Japanese Financial Instruments and Exchange Law (J-SOX) dictate a balance between access to information and appropriate use as mandated by rules, policies and regulations. Major losses caused by catastrophes have prompted the need for regulators to improve solvency regulations, such as the E.U. Solvency II initiative, for insurance companies to better understand their risks.

Insurance companies operating internationally are confronted with a wide range of national accounting standards, which makes consolidated financial reporting a complex task. The International Accounting Standards Board (IASB) has developed a framework for accounting rules known as the International Financial Reporting Standards (IFRS), which is being adopted as the basis for international alignment.

At the same time, customers have become more informed and active than ever before—and these new youth-driven emerging markets are demanding increased services and conveniences from the insurance industry. And there are more companies competing to provide them: Globalization and technology have leveled the playing field and enabled an increasing number of niche service providers to enter the market.

The best defense against these new entrants? The ability to quickly select and execute the right ideas and bring differentiated products and services to market in record time. In short, innovation linked to actionable decisions. The path to differentiation and to seizing the most promising growth opportunities, it is the only sustainable advantage that will enable insurance companies to prosper in a world of relentless change and rising global competition.

> *"The only source of profit, the only reason to invest in companies in the future, is their ability to innovate and their ability to differentiate."*[1]

Yet innovation hinges on information. And all too often, the information needed to respond to competitive threats – and regulations – resides within separate operations, systems and channels or cannot be found at all. Over time, this complexity results in multiple views of critical business information across multiple systems – and, ultimately, redundant information, inconsistent data, poor channel communication and the lack of a single version of the truth.

Breaking down the organizational stovepipes that isolate people and prevent them from sharing expertise and data is the first step toward leveraging data as an enterprise asset. But ensuring long-term success requires a formal data governance framework and ongoing governance policies at the overall business level. Data governance delivers processes to help companies establish guidelines for assessing, managing, using, improving, monitoring, maintaining and protecting organizational information. The core objectives of a governance program are to:

- *Guide information management decision-making.*
- *Ensure information is consistently defined and well understood.*
- *Increase the use and trust of data as an enterprise asset.*

As a corporate asset, data should be managed at an enterprise-wide level, including all lines of business, geographies and all functional areas. Among other requirements, insurance companies must understand:

- What data exists in the environment.
- In what form it exists and how it is transformed from system to system across the enterprise.
- Where it comes from.
- How one data element relates to another.
- Where it resides.
- How business terms and data elements should commonly be defined and used across the enterprise.
- How it got there.
- What has to happen to it next.
- Who can see it and how can it be used.
- How and why a data element does or does not vary from the accepted and common corporate definition (if one exists).
- How long must it be retained.

The benefits of effective data governance are wide and varied, including:

- *Timely integrated information delivered to support business opportunities.*
- *The most relevant information shared across channels and LOB.*
- *Trusted accurate information supporting regulatory compliance.*
- *Reliable information for business intelligence and executive dashboards.*
- *Aggregate view of total customer relationship across the organization.*
- *Faster time to market for new products and services.*

> *"Data governance frameworks are furthering strategic alignment and consolidation across businesses by spanning multiple policy, organizational, customer, product, service, people, process, and technology dimensions."*[2]

Getting started

Though 84 percent of CEOs surveyed in a recent IBM Data Governance survey recognized the business impact of data governance, only a third have formally documented or communicated their data governance program.[3] Why? Some of the most common missteps include:

- *Not having executive sponsors communicate data governance importance early and often.*
- *Not recognizing data as a corporate asset.*
- *A lack of comprehensive communication and training for both IT and business users.*
- *A lack of key performance measures for success.*
- *Not looking at both structured and unstructured data as part of a governance initiative.*

Implementing a data governance process requires fundamental changes to the way both business and IT define, manage and use data. Achieving sustainable, business-level data governance requires a blueprint to establish chains of responsibility, authority, communications, and establishing policies, controls and measurements. All infrastructure areas—people, process and technology—should be addressed. New and important organizational structures and processes, including data stewardship, should be defined and operationalized within a set model or framework and executed consistently for maximum benefit.

One of the most significant contributions to the data governance effort is the IBM Data Governance Council. Founded in November 2004, the Council is a leadership forum for chief data, security, risk, compliance and privacy officers concerned with issues related to how an organization can effectively govern data within an enterprise. Focusing on the relationship of data to business processes and the value of data to the organization, the insight of the Council members provides an industry-led common assessment benchmark and a new approach to measuring data governance.

Developed based on input from Data Governance Council members, the Maturity Model is designed to define the scope of who needs to be involved in governing and measure the way businesses govern data—e.g., sensitive customer information or financial details—across an organization. It measures data governance competencies of organizations based on 11 disciplines of data governance maturity, such as organizational awareness and risk lifecycle management and provides recommendations based on a unique stage of data governance to match the needs of the businesses.

Through this assessment, companies can evaluate the gaps between current company-wide practices and the enterprise's desired position to identify opportunities and specific activities for improving the way data is governed, valued and protected.

11 Disciplines of Data Governance Maturity

Organization
Addresses Data Governance organizational structure, alignment, and culture. Data Governance maturity is derived by the level of teamwork between the business and IT among other elements.

Stewardship
Stewardship is a quality control discipline designed to ensure custodial care of data for both asset enhancement, risk mitigation, and organizational control.

Policy
Policy is the written articulation of desired organizational behavior.

Value Creation
The process by which data assets are qualified and quantified to enable the business to maximize the value created by data assets.

Data Risk Management
The methodology by which data risks are identified, qualified, quantified, avoided, accepted, mitigated, or transferred out.

Security / Privacy / Compliance
Describes the policies, practices and controls used by an organization to mitigate risk and protect data assets.

Data Architecture
The architectural design of structured and unstructured data systems and applications that enable data availability and distribution to appropriate users.

Data Quality
Methods to measure, improve, and certify the quality and integrity of production, test, and archival data.

Business Glossary / Metadata
The methods and tools used to create common semantic definitions for business and IT terms, data models, types, and repositories. Metadata that bridge human and computer understanding.

Information Lifecycle Management
A systemic policy-based approach to information collection, use, retention, and deletion.

Audit & Reporting
The organizational processes for monitoring and measuring the Data value, risks, and efficacy of Governance.

Driving value through end-to-end data governance solutions

Based on the reality that data governance is bigger than a set of tools or processes, but rather encompasses an entire approach, IBM provides fully integrated service and technology offerings, driven by a proven methodology, to help map its capabilities to data governance objectives.

IBM Global Business Services offers the following approach to designing, implementing, managing and maintaining an effective data governance support structure:

1. Assess your organization's current Data Governance maturity level. Understand and build consensus on organizational Data Governance strengths and weaknesses. Develop or codify an organizational Data Governance vision state and begin building roles and processes to bring it to fruition.

2. Ensure critical executive-level support and alignment between business and technology entities.

3. Design an operational/organization model that provides a high-level data governance organization and structure, including titles, role definitions, detailed job descriptions, interactions/relationships and responsibilities. It is important to identify supporting processes and tools that will enable people in these roles to be successful. Consider including data quality elements into roles directly related to data input as well as coaching approaches for people in associated management positions. With regard to "steward" roles, develop performance metrics and align tools and other support elements to ensure improved organizational uptake and sustained contribution.

4. Develop a Data Governance Management Manual (DGM) that outlines the phases and activities (description, objectives, roles, tools/aids and tasks) required to execute the DGM methodology. The DGM methodology encompasses processes such as the enforcement of data governance policies and procedures, issue escalation, and metadata management.

5. Create a Data Quality Management User Manual (DQM) that outlines the phases and activities (description, objectives, roles, tools/aids, and tasks) required to execute the DQM methodology. The DQM methodology encompasses processes such as data domain definition, scorecard construction and data quality issue identification and remediation.

In addition, IBM offers multiple solutions that seamlessly integrate with each other and other IT processes to help you achieve an end-to-end view of your data quality management measures. Using a highly modular approach, you can implement the process areas that help generate the greatest value today, and then build out more as your needs change.

Core IBM Data Governance Products

- *IBM Information Server*
- *Data Governance Maturity Assessment*
- *Insurance Application Architecture (IAA)*
- *Insurance Information Warehouse (IIW)*

IT Security

- *IBM Tivoli® Access Manager*
- *IBM Tivoli Federated Identity Manager*
- *IBM Tivoli Identity Manager*
- *IBM Tivoli Security Compliance Manager*
- *IBM Tivoli Storage Manager*
- *IBM Tivoli Consul Insight Suite and IBM Tivoli Consul zSecure Suite*

MultiForm MDM

- *IBM Global Name Recognition*
- *IBM Identity & Relationship Resolution*
- *IBM Anonymous Resolution*
- *IBM WebSphere® Customer Center*

ECM Content Management & Compliance Management

- *IBM FileNet® P8 Content Manager*
- *IBM FileNet Records Manager*
- *IBM FileNet Records Crawler*
- *IBM CommonStore for Lotus® Domino®/Exchange Server*
- *IBM eMail Search for CommonStore*
- *IBM FileNet Email Manager*
- *IBM WebSphere MQ Extended Security Edition*

Data Servers and Tools

- *IBM DB2®*
- *IBM DB2 Audit Management Expert*
- *IBM DB2 Test Database Generator*
- *IBM DB2 Data Archive Expert*
- *IBM Database Encryption Expert*
- *IBM DB2 Audit Management Expert for Multiplatforms*

Why IBM?

IBM understands that clients require a strong long-term partner for strategic and complex initiatives like data governance. That's why IBM offers:

- ***Experience.*** *IBM has recognized expertise and proven client successes in data governance engagements.*
- ***Breadth and depth.*** *IBM is the only vendor that can combine business knowledge with an ability to execute on building a technical infrastructure to support those business needs.*
- ***Best-in-class data management capabilities.*** *IBM offers leading practices in risk and finance data movement, data warehousing and data governance.*
- ***Leading practices, intellectual capital, tools and Business Partners.*** *IBM has defined and customized assets that reflect the latest data governance requirements, and has built an impressive network of business relationships in data governance.*

For more information

To learn how IBM can help you get started on the path to data governance, visit http://www-306.**ibm.com**/software/data/information/trust-governance.html or call a representative at 1 877-426-3774.

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[1]Jeffrey Immelt, Chairman and CEO, GE

[2]Guillermo Kopp, The Tower Group, 2006

[3]IBM Data Governance Survey, 2006

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