

Insurance Customers Want Solutions, Not Products

How Master Data Management Underpins Innovation in
the Business Model

It's the era of the consumer

Digital information has fueled changes in purchasing behavior. Consumers have become increasingly information rich and, perhaps as a result, competing insurance products have become more easily comparable. Indeed, many companies have made it their business to facilitate this.

The good news for insurance companies is they have significant potential to provide their customers with more personalized solutions using digitally differentiated value propositions.

The ability to capture market share by offering engaging, relevant and competitive products is important for most companies. Digital transformation strategies are helping to enhance existing offerings to include digital products and services that can engage the customer with new brand experiences, personalize the way they consume the products and services and become part of an extended community of like-minded consumers for personal advantage.

Digital transformation is helping insurance companies to offer their customers more configurable products and services. Traditional one-size-fits-all, or product-centric offerings, are evolving to include customer-centric features, such as customized pricing, options to combine or bundle with other products and services and collaboration with added-value business partners to differentiate.

However, as customer expectation rises further, the trend is shifting beyond customer-centric towards solution-based offerings, for example, from being insured against risk to buying protection from risk, or shifting from static, generic risk management to dynamic individualized and contextual coverage.

This solution-centric approach focuses more on the customer's desired outcome.

Data governance: an essential component of a solution-centric strategy

Key to establishing a customer-centric or solution-centric approach is the ability to build data governance processes that improve the quality and availability of both existing and new data types. Trusted customer, product, contract and other reference data is essential to the management of solution-oriented offerings.

While customer-centric offerings may be described with a limited number of data dimensions, including those of price and sales channel, solution-centric offerings are much more complex. Solution-centric offerings may need to include additional data dimensions such as those describing the context, for example the location at which the product is being purchased or consumed.

As the numbers, types and inter-relationships of these data dimensions grow, data governance capability must also grow.

Data governance capabilities should include:

- The collaborative process by which a solution-centric offering may be described
- The 360° view that helps to form an insightful understanding of the customer
- The data policy management to ensure the information that supports a solution-centric offering is accurate and fit for purpose





The dimensions of a customer-centric offering

Master data management: a core component in developing customer-centric value propositions

Customer-centric value propositions take into account the business relationship the customer is experiencing across the brand and how the product offering may be configured to better suit their requirement. As such, the information required to propose a product needs to include 1) the dimensions that describe the extended relationship with the customer and 2) the point of interaction, for example, the 360° view of the customer's existing portfolio, their product eligibility, and the channel through which they are being serviced.

The customer-centric approach relies on establishing shared information sources that, with the proper data governance, provide trusted and insightful information at an enterprise level in order to support a coherent customer experience.

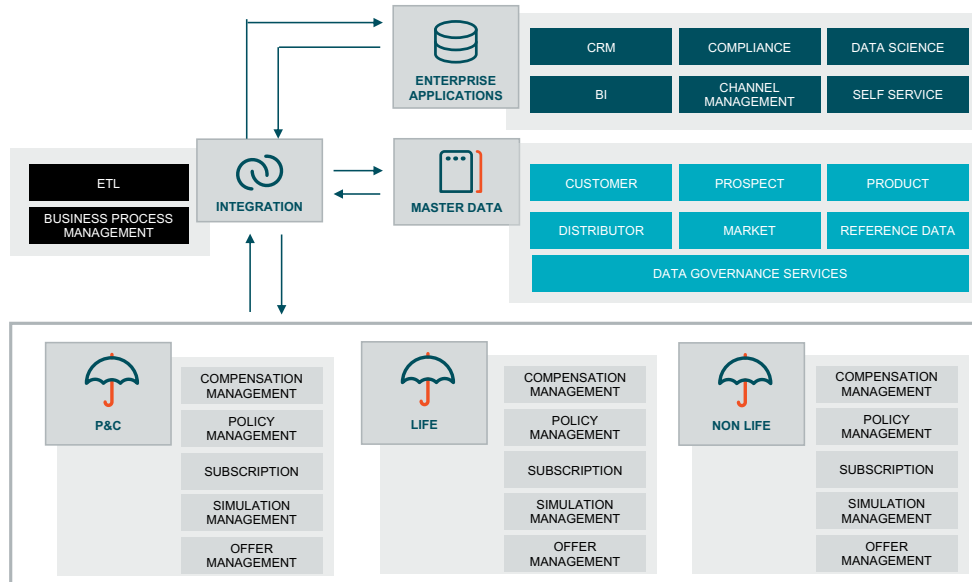
Many leading insurance companies have successfully used master data management (MDM) to create these shared sources. MDM takes data from existing data sources such as policy management systems and CRM systems that might be located in disparate lines of businesses.

Master data solutions are a core component in developing customer-centric value propositions because they bridge the gap between legacy enterprise applications and lines of businesses such as P&C and life insurance, which are often siloed in different departments and lack a unified customer view. MDM builds more value from existing data sources without the insurance company having to re-engineer its legacy system architecture.

MDM supports an evolutionary change from a silo-based information structure to one that represents a digital hub of information that can be integrated at a moment's notice to new, and sometimes disruptive, business processes.



MDM integrates disparate lines of businesses to create a trusted hub of information that is shared across enterprise applications



In deploying solutions for customer centricity, successful programs have identified the need to look at data management at a strategic level. Working with CDOs in particular has helped the IT department to articulate the link between best practices in data management and economic value for the business.

Today's evolving marketplace, spurred by changing customer behavior and increased competition, requires insurers to look beyond customer centricity, towards solution centricity, which provides a more comprehensive, holistic approach to meeting customer demands.

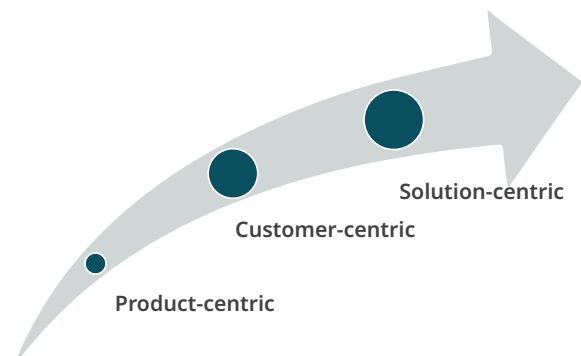
Solutions consist of collections of products and services that when combined, help to solve a particular customer need, serve a defined purpose, respond to a particular problem, or deliver a desired outcome. For example, evolving from products that offer insurance against risk to products that encompass risk protection, where prevention is the desirable outcome.

New products and services need to be designed to support more of an outcome-based approach and be consumed in a way that helps to meet consumer objectives. Such products may contain existing ones, which are re-packaged with additional offerings that enhance their value proposition in a way that more accurately reflects more the customer's way of thinking.

For example, a pay-per-mile driving insurance could incorporate existing policy management systems augmented with a business partner service that provides monitoring capabilities.

Solution-centric insurance offerings are trending

Better data and data management practices enable insurers to evolve from product-focused offerings to more holistic, solution-centric offerings



A solution-centric approach can spur innovation in health insurance

A solution-centric health insurance policy could integrate a whole range of personalized services linked with the insurer or its partners to address specific needs of an individual or company.

For example, a solution-centric policy may include increased musculoskeletal coverage for those who lead more active outdoor lives and use remote monitoring services, sensors and online access to health and wellness

expertise. This would be in considerable contrast to the many existing product-centric services that provide limited personalisation options.

In a product or customer-centric approach, traditional health insurance products can often be customized according to how much coverage each customer wants for different risks with a pre-defined number of options.

The solution-centric approach may be more akin to the customer's lifestyle choices, taking a much more holistic picture of the customer into account.

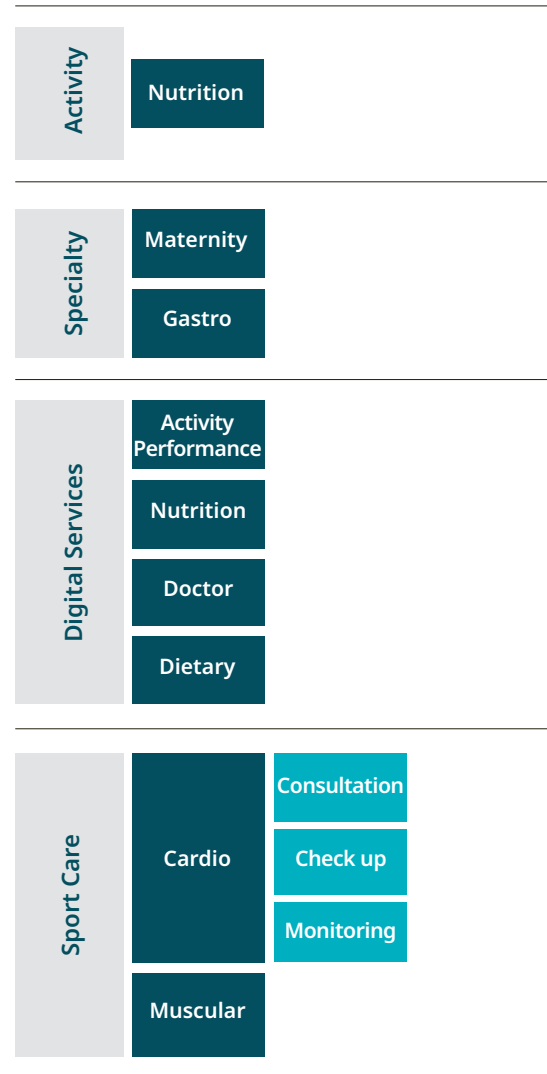
Generic examples of the evolution of product-centric to solution-centric healthcare products

Product-based healthcare insurance

Care Type	Level 1	Level 2	Level 3
GP	X		
Radiology		X	
Hospitalization			X
Audition			X
Prosthesis		X	
Ocular	X		
Dental			X
Vaccination	X		

The product-centric insurance model is a one-size-fits-all offering that provides a minimum of customization, for example a set number of coverage levels.

Solution-based healthcare insurance



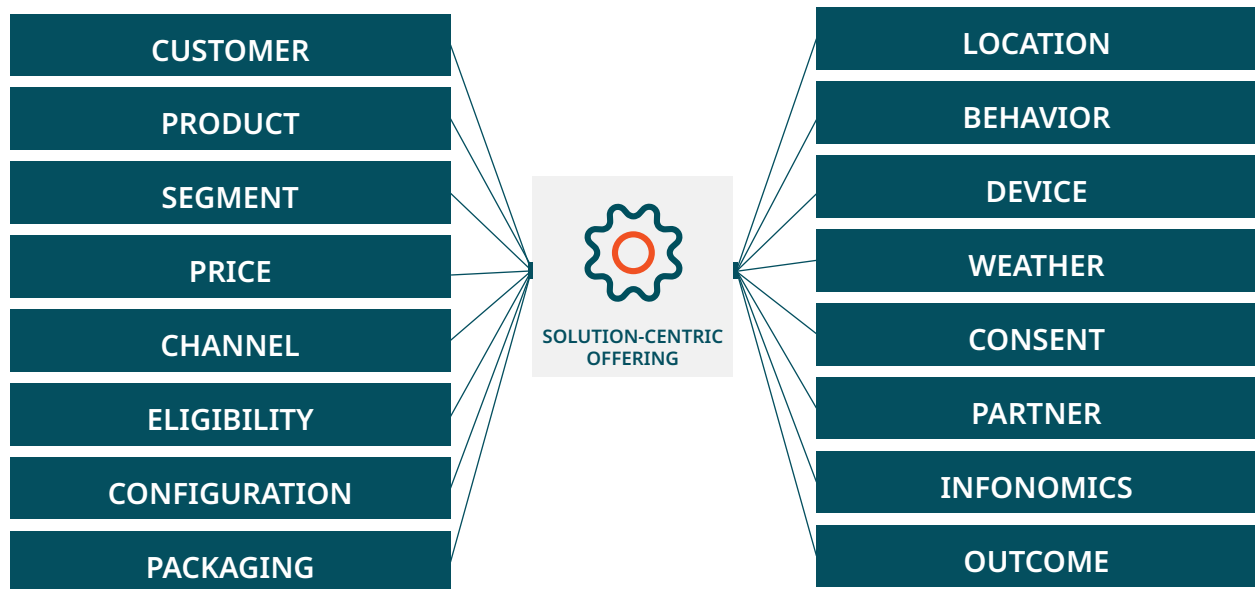
An individualized insurance solution consists of modules that reflect the insured person's lifestyle and aspirations.

Competing with data-driven services means competing with data agility and governance

Data-driven offerings

For solution-centric products and services, there are potentially many more data dimensions to consider than for customer-centric offerings. For example, a sophisticated pay-as-you-drive insurance service may require environmental data such as driver identification, vehicle performance, geography and weather.

Being solution centric implies a deeper understanding of the consumer. Data concerning their behavior, health, lifestyle and relationships are all potentially necessary in developing solution-centric offerings. This obviously raises questions about privacy and in particular, the data dimension of consent. However, there is growing appetite from consumers to give consent if they feel they can trust the organization and if they understand how data will be used before selecting to opt in and if they benefit from it.



Solution-centric offerings require more data dimensions to design, manage and distribute them

Are consumers ready to share their most intimate data in exchange for solution-centric services?

An insurer is one of the top three actors that people trust in to share their personal data. A Deloitte study carried out on car insurance with 15,000 consumers found that more than 50 percent of respondents were ready to share their personal data to benefit from free roadside assistance or free car servicing¹.

Insurance companies can increase the number of touchpoints with customers by coupling traditional protection products with broader advice on financial wellness and physical well-being. Embedding products into a broader ecosystem of partners who can add value beyond protection will be key to winning new customers².

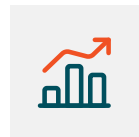
With insight into and the possibility to capture the many dimensions of a lifestyle-focused solution, insurers have the opportunity to offer greater value to their customers by offering more individualized products and services. To achieve this, they need to develop platforms that design and develop new offerings around which their partners' offers can coalesce, and they need to deploy tools that actively manage a unified customer view built from information gathered across the enterprise.



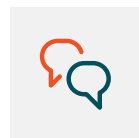
Examples of problems to address in the development of solution-centric products and services



How to design, build, test, price, measure and monitor complex, solution-centric products and services?



How to support new paradigms of customer experience/interaction when existing data and processes are locked into silos?



How to collaborate with business partners in the construction and distribution of solution-centric offers?

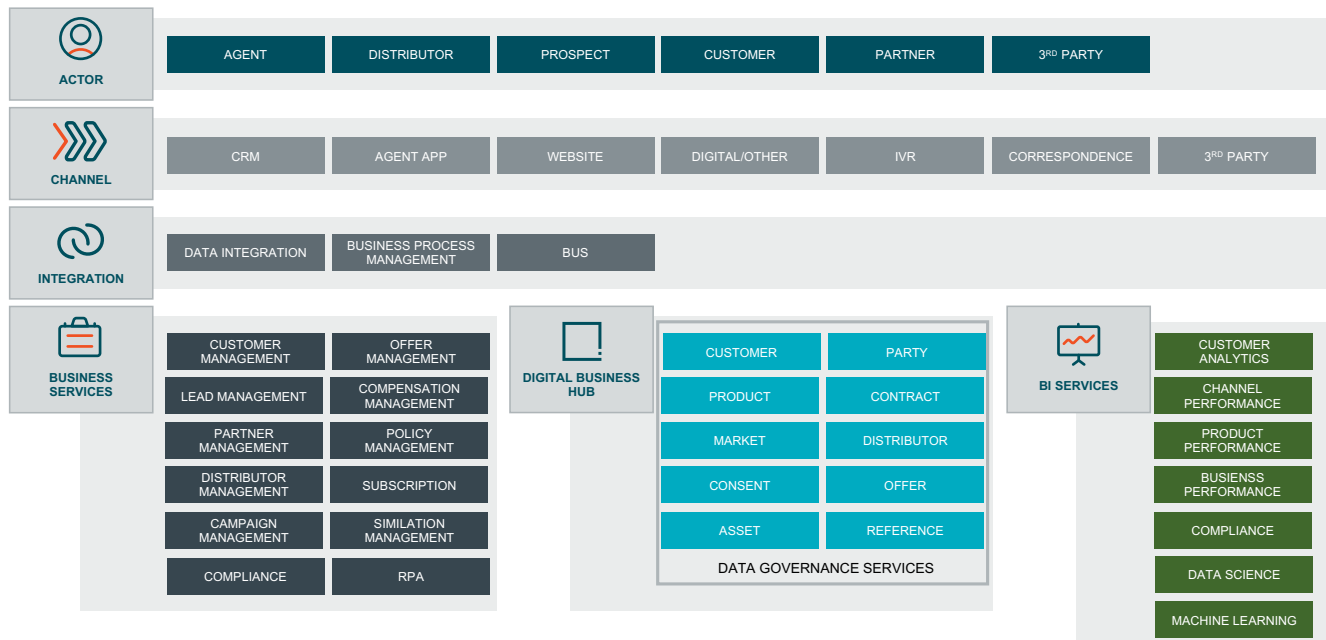
Solution-centric offerings are data-dependent – so having trust in the data being used is imperative

The solution-centric target architecture helps to support the agility required of integrating coherent business processes with the many channels and actors within those channels.

Key business information, in particular the master data, must be governed independently of the business applications using it to ensure that it is defined, maintained, secured and distributed in accordance with corporate data policy.

Master data governance is key to secure a trusted source of the most central data assets that are needed to launch digital initiatives and multi-dimensional offerings.

Organizations can utilize the single source of trusted master data to create a Digital Business Hub. This extends master data management to encompass rich business-data process management capabilities, such as managing the lifecycle of offer creation and developing cross-data domain views of party relationships. The advantage is quick identification and validation of extended business relationships.



Example of a generic solution-centric target architecture for insurance. The Digital Business Hub collects data from actors and channels, validates and enriches that data and shares it with BI and business services that become accessible across the business. The Digital Business Hub both ensures the quality of channel data and removes business silos.

Achieving data-driven innovation

As insurers reflect on the lifestyles, situational challenges, ambitions and financial health of their customers, the opportunity to differentiate grows with the development of solution-centric products. Excellence in data governance underpins the agility needed to develop new information architectures that can respond to rapidly changing market requirements for solution-centric offerings. Indeed, the next competitive product might yet be born out of the data an insurer already has.

To learn more visit stibosystems.com/insurance.



¹Source: Deloitte, European Motor Insurance Study. The rise of digitally-enabled motor insurance. November 2016

²Source: McKinsey & Company, Harnessing the power of digital in life insurance. October 2016

About Stibo Systems

Stibo Systems, the master data management company, is the trusted enabler of data transparency. Our solutions are the driving force behind forward-thinking companies around the world that have unlocked the strategic value of their master data. We empower them to improve the customer experience, drive innovation and growth and create an essential foundation for digital transformation. This gives them the transparency they require and desire – a single, accurate view of their master data – so they can make informed decisions and achieve goals of scale, scope and ambition. Stibo Systems is a privately held subsidiary of the Stibo A/S group, founded in 1794, and is headquartered in Aarhus, Denmark. More at stibosystems.com.