

Data Management Value Proposition

DATA MAY BE THE MOST IMPORTANT RESOURCE OF THE INSURANCE INDUSTRY

Experts have long maintained that data are an important resource that must be carefully managed.

Like all corporate assets, data requires managing to ensure the maximum benefit is achieved by the organization. Corporations that manage their data well can provide enhanced service to their customers, reduce or entirely eliminate re-work costs, and have better information on which to base their decisions, giving them the ability to out-perform their competitors, enhance client satisfaction, and enhance share-holder value.

Well-managed data can also aid good corporate governance by providing an organization's management with a comprehensive and cohesive view of an organization's activity. If senior managers receive poor data from their operations, how can they properly execute their management role?

As the technology of collecting, storing, and disseminating data has advanced and the demand has accelerated, the importance of data has increased. Companies are increasingly working with clients and suppliers to create integrated supply chain management systems. The same basic trend holds in insurance. Hardly a day goes by without an announcement from an insurer, broker, or systems vendor, describing a new ability to share information with other members of the insurance supply chain.

While current technology capabilities make the creation of 'web services' fairly simple, there is no point in creating these services if the information shared with clients and suppliers is incorrect. In fact, you may be creating a liability for your organization by disseminating incorrect data.

The true cost of poor data quality is enormous. As bad information moves through a process, the cost of correcting the bad information increases, just as it does in manufacturing, where quality professionals use the phrase 1:10:100 to describe the increasing cost impact of correcting a product as it moves through different stages.

Estimates on the true cost of poor data quality vary; some experts put the cost in the region of \$900 billion dollars per year. For an individual corporation, some observers put the cost of bad data at 15 to 20% of operating revenue. Whichever way you choose to measure the cost of bad data, the cost is huge; but in addition to the known cost, there are also the unknown lost opportunity costs that arise from the wasteful use of an organization's assets.

WHAT IS DATA MANAGEMENT?

Data Management is a broad field of study, but essentially is the process of managing data as a resource that is valuable to an organization or business. One of the largest organizations that deal with data management, DAMA (Data Management Association), states that data management is the process of developing data architectures, practices and procedures dealing with data and then executing these aspects on a regular basis. <http://www.topbits.com/data-management.html> (May 5, 2010)

Data management encompasses all organizational, methodological, conceptual and technical measures implemented to support the use of data as a resource. The purpose of data management is to manage and supply data to business processes so that the data can be put to best possible use. http://www.actano.com/20911_EN-What%B4s_new-Glossary.htm#D (May 5, 2010)

How Data Management Adds Value

The Data Management discipline adds value in several ways:

- Value: **Overall Process**
 - Reduces the cost of collecting, storing, and dispersing data.
 - Participates in the creation of an enterprise data vision.
 - Monitors data quality.
 - Provides an additional enterprise communication channel for new products, services, programs, and technologies.
 - Provides expertise in process improvement.
 - Provides project management expertise.
 - Helps to develop and maintain IT systems to support many of the data functions.
 - Works with users to provide data specifications for users and IT.
 - Acts as an intermediary between business areas and IT on matters of data content.
- Value: **Data Acquisition and Quality Assurance**
 - Maintains internal coding instructions, tables, and documentation.
 - Maintains external statistical plans and requirement documents.
 - Assists data users in defining the data requirements for existing products and new ones.
 - Determines data interfaces for acquisitions and new trading partners.
 - Establishes data quality standards.
 - Manages vendors who provide data services.
 - Defines the company standards for acquiring data.
 - Defines the data.
 - Defines corporate data dictionary content.
 - Monitors compliance with the data and data quality standards. Assists industry organizations in defining data standards.
 - Assists in populating meta data repositories that store information about data.
- Value: **Data Storage**
 - Reconciles business and financial data.
 - Provides quality controls.
 - Provides expertise on the availability and location of data.
 - Assists in the creation and population of data warehouses.
- Value: **Data Dispersement**
 - Develops data specifications for internal and external reporting.
 - Develops and maintains data reporting tools.
 - Disperses data to internal users.
 - Reports data to advisory organizations, research organizations, and regulators.
 - Ensures compliance with data reporting laws and regulations.
 - Provides analysis of data.
 - Protects the privacy and confidentiality of data.

WHAT IS A DATA MANAGER?

The function of a Data Manager is to ensure that other managers within the business are provided with the information they need to fulfill their role. The role cuts across all areas of an organization from customer through to suppliers, and, in insurance especially, regulatory organizations.

Because of this, data managers need to understand the end-to-end business process and information flow within their organizations. In general, they will be from the 'business side' of an organization, rather than from the accounting, actuarial or technology areas within a company, but they will need to understand the roles of all of these areas and their information needs.

Understanding the life cycle of information is an essential pre-requisite for a Data Manager. The data process has three major components:

- Data acquisition and quality assurance
- Data storage
- Data dispersement

The Data Manager manages this overall process to ensure that the data of the enterprise will satisfy the needs of the internal and external users.

Skills and Expertise of the Data Manager

The Data Manager possess interdisciplinary skills in creating liaisons between business and technical functions as well as knowledge of insurance business processes and the supporting systems. These skills allow the Data Manager to provide expertise from both the business and IT viewpoint in the following areas:

- Project Management
- Process Modeling
- Data Modeling
- Data Standards
- Data Dictionaries
- Quality Control
- Data Base Administration
- Data Stewardship
- Data Warehousing
- Data Analysis
- Data Governance
- Metadata Management
- Strategic Data Planning
- Data Security
- Internet Technology
- Straight Through Processing
- Customer Relationship Management (CRM)

Data Management from the IT Perspective

For many data users within a company, data and technology are essentially the same thing. When a user does not get the expected information, or needs to re-enter information from one system to another, it is usually thought by the user to be a "technology problem."

The fact is that while they encounter the issue in the context of technology, the underlying problem usually arises from poor data management practices on the business side. The technology infrastructure of most organizations is a mixture of systems and operating environments, created to meet specific goals and developed in a vertical "silo," with no real thought given to other systems or processes.

Now, with the increasing demand for everything to be connected, to eliminate re-keying, and improve data quality and management information, there is an increasing requirement to align and connect these disparate systems. It is possible to create complex data mapping and translation software, storing the business rules to move and transform information from one system to another. Their existence, though, is a response to the poor practices of the past. This previous bad practice makes all information 'suspect' to the business and often leads to parallel systems created to provide 'the real information' to the business. Rather than fixing the original problem, they add another layer to the already complex environment.

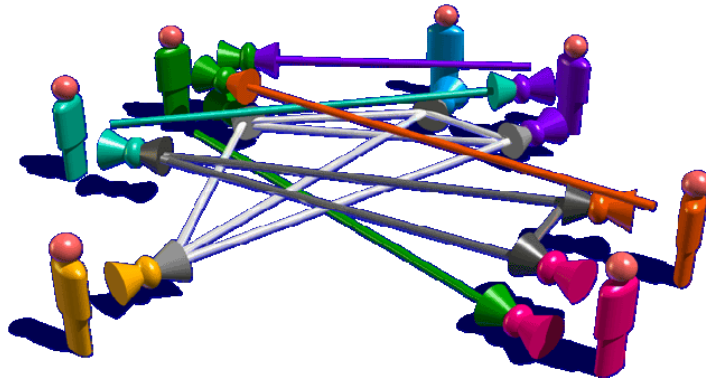


Figure 1 - Different systems and process interact with no overall co-ordination

A comprehensive data management program seeks to align data across the organization, simplifying process, sharing or re-using the same data, and simplifying the technology architecture needed to support the business.

The existing process creates a jumble of connections and information that is difficult for anyone to understand (see figure1). In a well-planned environment, exercising good data management, the same systems and process are connected in a much-simplified environment.

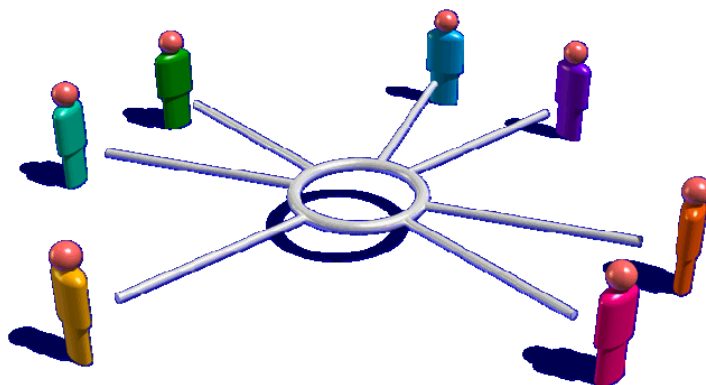


Figure 2 - Information flow in a well-managed environment

This approach allows for leveraging a number of useful and flexible technology tools, including XML and application integration brokers. This methodical approach to information and process aids the organization in the simplification of the environment and enhances the organization's ability to create corporate data warehouses or operational data stores underlying the business's decision support systems.

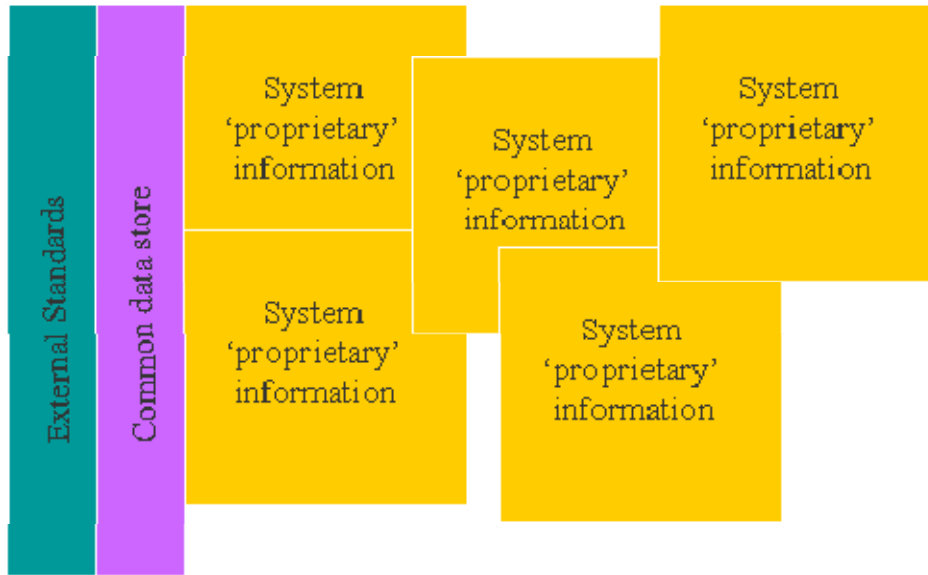


Figure 3 - Overlapping and 'proprietary' systems impact organization's data capabilities

The application of a data management discipline allows these overlapping and 'siloes' systems to align, and change the fundamental capabilities of the organization's information:

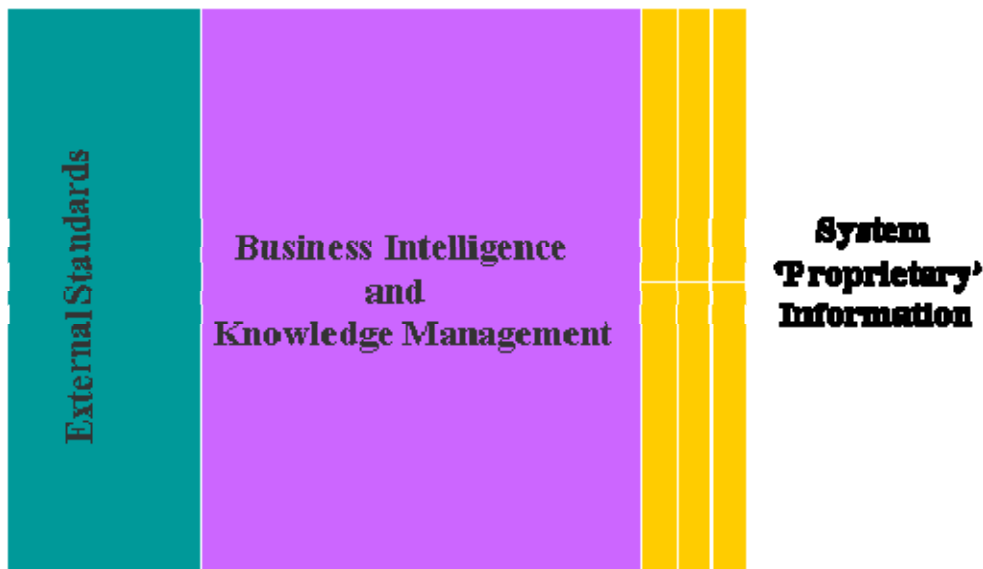


Figure 4 - The application of data management discipline fundamentally changes an organization's data capabilities



Systematic application of a comprehensive data management strategy and process will:

- Allow for greater object re-use, both in programming and relational data models, reducing project time and resources while at the same time reducing environment complexity;
- Increase system to system communication and reduce the time taken for information to move between business processes; and
- Reduce re-work time within any given process based on data alignment.

Data management is a tool that is as essential to the technology organization as the servers and networks used to implement the technology, and can have as great an impact on the success or failure of the organization.

CONCLUSION

Data Management is a profession that has grown to include many areas: meta-data management, data analysis, data warehousing, business intelligence, data governance, data modeling, etc. How can an insurance data management professional remain connected with these areas as they expand and mature? One way to maintain and develop professionalism in insurance data management is to be a member of IDMA.

Membership in IDMA represents an opportunity for you and your organization to develop one of the insurance industry's most critical areas — Data Management. Nothing holds the possibility of returning more investment for an organization than proper data management. Yet organizations cannot develop a data management program in a vacuum. Organizations cannot afford to reinvent the wheel. Organizations cannot just hope that "data management happens."

Data is the resource that provides the foundation for business decisions. Effective data management is essential for ensuring timely and accurate information necessary for these decisions. Additionally, the evolving principles of data management provide the analytical tools necessary for the cost-efficient use of corporate data.

IDMA membership is the most effective way to solve these challenges that all organizations must confront. IDMA provides the insurance industry with a professional forum dedicated to supporting our industry's data managers and providing educational programs to keep them current on data management issues.

We at IDMA believe that your membership contributes to the health, growth and advancement of the insurance data management profession.

Sincerely,

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