

Guide to Data Modernization



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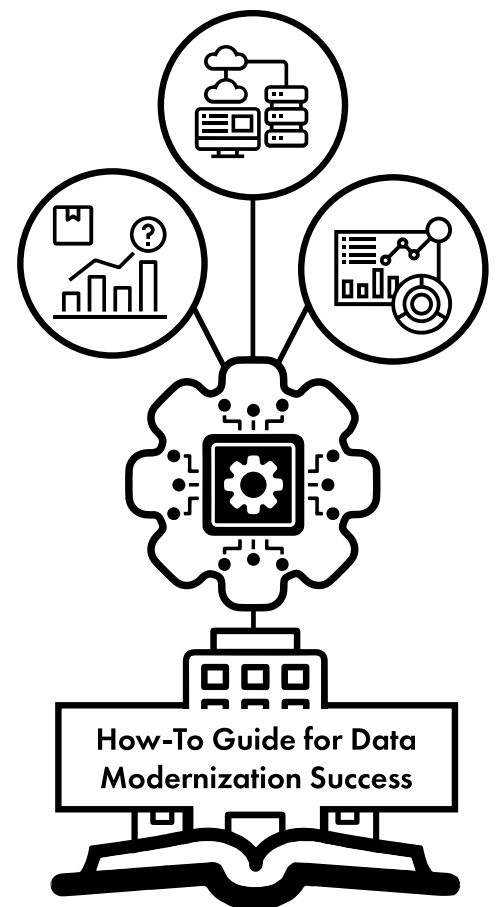
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Executive Summary

The digital revolution has spurred a customer-centric world. To meet customer demands and grow, enterprises worldwide are striving to build personalized products and services, deliver engaging digital experiences, and increase customer value through an ecosystem of partners. In this environment, harnessing data with real-time analytics to drive intelligent decisions and create a competitive edge has become a critical necessity. This applies to all industries, including insurance. No longer can insurers rely only on outdated legacy systems, traditional business models, and historical data.

To achieve profitable and customer-centric outcomes, some insurers are transitioning from legacy data infrastructures to modern data platforms. However, in their haste for operational viability, they overlook crucial implementation steps and approaches, leading to challenges like under-utilization, incorrect data tool selection, and complex, non-scalable architecture.

This Guide to Data Modernization offers a recommended approach for insurers to fully benefit from their data modernization journey. Whether you're just considering data modernization, have begun from a technological perspective, or faced obstacles in your initial attempt, this guide provides insurance-specific insights for data modernization success.



The Current State of Data Modernization

The advantages of data modernization for insurers are clear. They can utilize data to accelerate claims processing and reduce policy writing time via automation techniques. They can provide customers more accurate underwriting along with tailored products from customer-volunteered data, such as pay-per-mile auto insurance. They can also improve their internal operational efficiencies, as digitization and data analytics symbiotically align with agile product cycles and DevOps adoption.

Data modernization enables these possibilities and more. It drives key business objectives, such as increasing speed-to-market, creating competitive differentiation, improving customer experiences, and identifying new business models. Ultimately, data modernization supports insurers' perpetual need for sustainable growth, new product innovation, and informs strategic direction.

Despite the clear benefits, some insurers have not prioritized data modernization. Aite-Novarica reports that insurers allocate about 4.1% of their annual direct written premium (DWP) to IT budgets, with only 15-20% of that budget dedicated to data. In a survey of 45 insurance CIOs, only 40-50% ranked data among their top three priorities, as most focus on Core, IT Ops, and Digital initiatives.¹ Gartner predicts that through 2025, 80% of organizations aiming to scale digital business will fail due to the lack of a modern approach to data and analytics governance.²

¹ <https://aite-novarica.com/report/propertycasualty-insurer-it-budgets-and-projects-2022>

² <https://www.gartner.com/en/newsroom/press-releases/gartner-data-and-analytics-summit-2023-india-day-1-highlights>



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Saul Judah

VP Analyst, Gartner