Business assurance improved through comprehensive, business-lead review of processes and technology needs

A small company introduces business assurance practices that lead it to out-perform all its competitors, raise its corporate value and profile and become one of the largest companies in its field within a decade.

A regional health insurance company – let's call them InsureCo - serving 1.9 million policyholders, faced continued financial bottom-line abnormalities which contradicted forecasts and seemed incomprehensible. Despite continued requests for an explanation by the Board for an explanation, all the business could provide them was finger pointing between IT, Underwriting, Pricing and Finance.

The senior leadership team simply did not have the information it needed to correctly identify and resolve this abnormality in the company's figures. In frustration, the Board gave the team four weeks to provide an answer or serious action would be taken. The Head of Risk Management took on the challenge.

The Plan

A team of accountants, actuaries and selected IT staff was compiled. Armed with some 24/7 days, a lot of post-it notes and agile project management techniques, a data warehouse prototype was developed that was populated with data from InsureCo's 11 regional claims systems, 3 policy systems and customer billing systems.

It took the team only three weeks to establish this data warehouse. They spent the final week of the project undertaking heavy analysis to identify where and why discrepancies existed and to create the detail & summary reports for the Board.

What the team discovered

The team's analysis revealed many data anomalies between the systems, previously undetected and overlooked by staff compiling data and developing reporting. These anomalies meant data from each of the claims systems and the billing systems could not be directly compared and gave misleading indications of the businesses overall activities.

The different processes, language and reference information used by the many different locations had created serious problems within the company's central reporting area.

It also became apparent that, while regulatory restrictions meant InsureCo could not determine premium amounts by reviewing individual business billing, coverage and claim information, they did need to review this information to ensure customers were billed correctly for their level of coverage and were not making fraudulent claims.

This revealed that InsureCo had $1.5M in unbilled revenue and the overall reporting to management and the board was unreliable.

InsureCo did not have solid business assurance.

The solution

○ **Technology**. The data warehouse prototype led to a data warehouse ecosystem being set up by the solution team, and implemented as the corporate reporting repository, with all InsureCo's systems regularly feeding their data into it. The equipment side of this was managed by IT, but the data definitions, data usage, protocol development and data analysis were undertaken, governed and managed by business staff.

○ **Processes.** Comprehensive protocols were formulated, clearly defined and aligned across all InsureCo locations, to ensure that data coming into the data warehouse was understood, able to be compared and easily combined to gain enterprise-wide information.

○ **Governance.** Governance processes were set up to ensure all InsureCo staff, in each location, adhered to the protocols established as part of this review. This included robust checks and reviews of data collection, data entry, claims information and patterns, etc.
Each of these changes was managed by the business, not IT, because success hung on the efficacy of business protocols, not IT protocols.

The results

Two years after undergoing this transformation, the insurance industry was experiencing the downside of the "seven-year cycle", during which it universally experiences decreased profits.

But, due to the changes that were implemented as "business as usual" practices, InsureCo became the first insurance company to ever ride out the impact of the seven-year cycle with no decline in profitability.

To achieve this, on top of continuing with the practices implemented in the review undertaken by the Head of Risk Management and her team, InsureCo's business staff managed and used the information they could now access through their data warehouse to create preventative health programs for their customers, unheard of in the industry.

Their success led to a series of mergers in the ensuing 10 years, making InsureCo one of the biggest insurers in the country, serving over 40 million policyholders.

What can you learn from InsureCo's experience?

Poor business information resource management had not only cost InsureCo $1.5M in missed revenue, but it was preventing the unprecedented financial security and business growth that was attained once the solution was implemented.

While the solution depended on a central data warehouse, simply implementing such a central data repository, under the management of IT, would have provided neither an explanation of the financial inconsistencies being presented to the Board nor a solution to resolving those inconsistencies.

It was only when the business processes were reviewed that the causes of the financial inconsistencies were identified. Resolving these causes involved defining business terms consistently across the organisation, implementing consistent business processes in each location that meant the information delivered from each location was fully understood and correctly used by the central office.

A purely IT solution will rarely solve the problems that are resulting in poor business assurance. Business assurance is a business problem, not an IT problem and requires a business-driven resolution, not an IT one.

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