Informatica MDM for Insurance Providers

Streamline Regulatory Compliance Reporting with Integrated, Model-Driven, and Flexible Master Data Management Technology

To say that the insurance industry is tightly regulated would be an understatement. The compliance challenges that insurers face are uniquely complex because every state in the United States maintains its own distinct insurance regulations, and these laws and policies vary widely across different insurance lines of business. Additionally, many states maintain regulations that govern virtually every aspect of insurance company operations, including the amount of financial reserves a company needs to conserve, how much brokers and agents can charge for their services, and how companies can market their products. Moreover, most states impose strict reporting requirements by which insurers must regularly document their compliance with the various statutes. Depending on the policy type—life, home, auto, or health, for example—reporting guidelines can require a confusing array of quarterly and annual reports such as audited financial statements, unaudited financial statements, actuarial opinions, claims data, evaluations of securities on deposit, and disclosure of material transactions, just to name a few.

The Interstate Insurance Compact, which the Interstate Insurance Product Regulation Commission (IIPRC) supports, is an effort that's been underway over the past few years to implement standard filing guidelines and reporting requirements across all the states. To date, 33 states have adopted the standards. If this effort succeeds, insurers will have an easier time filing their compliance reports, but they will still be on the hook for scores or hundreds of filings in each of the states in which they do business—even if all 50 states sign on. The actual filings might be easier, but the hard work of compiling data and creating accurate reports remains unchanged. And this can be a very difficult job indeed.

This executive brief discusses how insurance industry compliance reporting can be measurably improved with Informatica's master data management (MDM) product, Informatica® MDM. You'll read about:

- The challenges that insurance providers face in reporting to state regulators
- How Informatica MDM helps to overcome these challenges
- The unique advantages of Informatica MDM in helping compliance efforts succeed

Decentralized Data Challenges Compliance Reporting

The root of the problem is that many insurers rely on a decentralized IT infrastructure, with different systems for different lines of business or a patchwork of systems built up over time as a result of mergers and acquisitions. The typical IT approach within most large insurers has been to design a systems infrastructure that is centered on agent/broker needs or specific policy offerings, rather than create a customer-centric or policy-centric approach. For instance, it's common for insurance firms to organize their IT infrastructure and data sources according to line of business—home, auto, commercial, and surety—with each line maintaining its own system for claims, billing, on-line customer service, and so forth. The benefit of this type of design is that insurers can develop and maintain a clear understanding of the hierarchy and history of their agent and broker networks. However, the drawback is that compliance officers have to create mandated reports by compiling data from multiple systems across the organization, rather than from a single source.

From a compliance reporting standpoint, this approach causes data quality issues because information often gets duplicated from system to system. A single customer who maintains both homeowner and automobile policies with the company would have records residing in two separate systems. Similarly, investment account information might be housed in multiple data stores. This means when it's time to compile quarterly or annual reports for state-level insurance regulators, compliance managers may have

Informatica MDM Rises to the Challenge

Smart insurance company leaders are now seeking technology investments to help establish good governance models that will in turn make it easier to document and maintain regulatory compliance and lower operational risk. Master data management is exactly this kind of investment. It ensures that critical enterprise data is validated as correct, consistent, and complete when it is circulated for consumption by internal or external business processes, applications, or users. MDM is an effective answer to compliance challenges because it can provide insurers with consistent, complete, and accurate data on customers, products, operations, and financials—even when it is captured and stored in different systems. In effect, MDM makes it possible for insurance firms to overcome error-laden, redundant, or siloed data to create a single correct version of the "truth."

But not all MDM technologies can address the various compliance requirements facing today's businesses. Only an integrated, model-driven, and flexible MDM product suite that is easily configurable can provide the functionality needed to meet compliance requirements and lower risk. If the MDM technology is rigid in its functionality (i.e., if it has a fixed data model), then you may end up compromising your compliance initiatives in order to adapt to the limitations of the technology. Such systems also may inhibit the expansion of your compliance efforts to other lines of business or geographies.

Taking a point approach to the compliance challenge undoubtedly will require costly and extensive custom coding down the road. In order to prevent this expensive pitfall, and to reduce the risk of choosing the wrong solution, it is important that you consider key business data requirements across several critical business functions, including sales, marketing, customer support, and, of course, compliance. By ensuring that your MDM technology supports the following 10 requirements, you will be well on your way to laying the foundation for a complete compliance program. In addition, you will be able to evolve your MDM implementation to address unforeseen future requirements across the organization.

Meeting the Requirements of Effective MDM Technology

Informatica MDM uses a fully integrated and flexible business model-driven approach to address the insurance industry's unique regulatory demands. This proven multidomain MDM improves the success of compliance reporting by meeting key requirements of effective MDM technology:

1. **Manages multiple business data entities with a single product.** Using an MDM product suite that can handle multiple data types, an organization can begin to ensure compliance within a single business division in order to demonstrate a rapid return on investment and later extend the solution to accommodate other business divisions for even greater enterprise value.

2. **Permits data governance at both the project and/or enterprise-level.** It is critical that the underlying MDM technology is able to support the compliance-related data governance policies and processes defined by your organization.

3. **Works with your standard workflow tool.** Workflow is an important component of both MDM and data governance because it can be used to monitor compliance in real time and automatically alert the appropriate personnel of any potential violations.

4. **Handles complex relationships and hierarchies.** Certain compliance initiatives require the ability to manage complex hierarchies. Make sure your MDM request for proposal (RFP) calls for a solution that is capable of modeling complex business-to-business (B2B) and business-to-consumer (B2C) hierarchies within the same MDM product suite.

5. **Provides support for service-oriented architecture (SOA).** Because MDM is the foundation technology that provides reliable data, any changes made to the MDM environment will ultimately result in changes to the dependent SOA services and consequently to the SOA applications. You need to ensure that the MDM technology can automatically generate changes to the SOA services whenever its data model is updated with new attributes, entities, or sources. This key requirement will protect the higher-level compliance applications from any changes made to the underlying MDM technology.

6. **Allows for data to be cleansed inside a product platform that seamlessly incorporates the MDM technology.** Data cleansing needs to be centralized within the MDM hub in order to provide clean data for compliance reporting. If your company has already standardized on a cleansing tool, then it is important to ensure that the MDM technology provides out-of-the-box integration with it in order to leverage your existing investments.

7. **Enables both deterministic and probabilistic matching.** To achieve the most reliable and consolidated view of master data for compliance purposes, the MDM technology should support a combination of these two matching techniques, with each being able to address a particular class of data matching. A single technique, such as probabilistic, will not likely be able to find all valid match candidates or, even worse, may generate false matches.

8. **Creates a "golden master" record containing the best field-level information and stores it centrally.** It is important that the MDM technology is able to automatically create a golden record for any master data type (e.g., customer, product, asset, etc.) to enable compliance monitoring and reporting. In addition, the MDM technology should provide a robust unmerge functionality to roll back any manual errors or exceptions.

9. **Stores history and lineage.** The ability to store history of all changes and the lineage of how the duplicate has merged is a very important requirement to support compliance. Any successful compliance initiative will depend on the ability to audit such data changes over several years.

10. **Supports both analytical and operational usage.** Compliance monitoring is performed within an operational system while compliance reporting is performed using a business intelligence tool or data warehouse.

Regulatory Compliance Succeeds with Integrated and Flexible MDM Technology

Taking the time to build the foundation for a sound master data management program is critical to the success of any compliance effort. Following the 10 requirements presented above will enable you to identify and evaluate a suitable technology platform—a prerequisite when managing your organization's master data assets and establishing a consistent master data foundation. Once your organization starts to make its departmental compliance projects operational, you are likely to find that your larger compliance requirements will expand to include other lines of business or geographies. Planning for future requirements is a must especially in the insurance industry, where regulations constantly evolve and state-by-state mandates pose an enormous administrative challenge.

As you evaluate your options for MDM products, know that Informatica MDM is built on technology that includes all 10 critical requirements—right out of the box. These capabilities are integrated components of a complete enterprise-wide MDM product suite, making software deployment much faster and easier to migrate over time. Additionally, Informatica MDM enables you to mitigate technology risk and improve your return on investment because further integration and customization are unnecessary to make the system operational. With its integrated, model-driven, flexible, and easily configured MDM technology, Informatica MDM provides the functionality needed to meet compliance requirements for insurance industry providers and enables the expansion of these efforts to other lines of business or geographies.

About Informatica

Informatica Corporation (Nasdaq:INFA) is the world's number one independent provider of data integration software. Organizations around the world rely on Informatica to realize their information potential and drive top business imperatives. Informatica Vibe, the industry's first and only embeddable virtual data machine (VDM), powers the unique "Map Once. Deploy Anywhere." capabilities of the Informatica Platform. Worldwide, over 5,000 enterprises depend on Informatica to fully leverage their information assets from devices to mobile to social to big data residing on-premise, in the Cloud and across social networks.

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