

Case Study:

How a Leading Insurer Leveraged Data Quality to Ensure Regulatory Compliance

Business challenge

Mitigating Compliance Risk

This insurer was undergoing a core system transformation as they migrated from a mainframe infrastructure to distributed systems, a process that presented both opportunities and challenges. The insurer had successfully established automated quality and financial reconciliation rules at strategic points across their mainframe, but the transition to distributed systems was raising red flags for potential compliance violations such as premium inaccuracies in the general ledger. These data quality and internal control issues stemmed from a lack of data governance and a reliance on manual controls within existing distributed systems, a process that was prone to errors and potentially concealed compliance issues. If these problems resulted in inaccurate or delayed regulatory reporting on financial data, the company was exposed to significant financial and reputational risk.

As a publicly held company, the insurer is subject to Sarbanes-Oxley (SOX), which requires that companies set up and maintain extensive internal controls for financial and accounting measures, faster reporting and stronger security. The National Association of Insurance Commissioners' Model Audit Rule (NAIC MAR) is closely related to SOX, and subjects insurers to regular financial audit and reporting requirements. Together, these regulations require that companies set up uniform enterprise financial controls and processes and ongoing reporting to ensure financial and accounting data is accurate and auditable.

To minimize these compliance risks, the company needed an automated solution to:

- Routinely monitor the balancing of transfers within a single application
- Routinely monitor the balancing of transfers between systems ("interface balancing")
- Perform financial account balancing to reconcile systems
- Expand existing mainframe internal controls and quality rules to all distributed systems

Data360 provides the company with a data governance framework to standardize internal controls across mainframe and distributed systems.

Client

A top-20 U.S. publicly held multi-line insurance company, offering auto, home, commercial and life insurance coverage with millions of policies in force

Industry

Insurance

Challenges

Executing a core system transformation from mainframe to distributed systems, this insurer needed continued regulatory compliance for internal processes, reporting and audit. The mainframe had extensive, automated quality rules in place that the company needed to replicate and expand to a distributed environment to mitigate compliance risk. They also required robust financial reconciliation to ensure accuracy, reduce costs, increase speed and improve efficiency.

- Established end-to-end, automated quality rules and internal controls to mitigate financial and reputational risks from noncompliance with regulations such as the Sarbanes-Oxley Act (SOX) and the National Association of Insurance Commissioners' Model Audit Rule (NAIC MAR).
- Increased visibility into internal operational processes to enhance audit capabilities, reduce errors and improve data quality.
- Streamlined and markedly accelerated financial reconciliation processes by implementing automated quality rules for interface and financial account balancing. This eliminated process inefficiencies, ensured reporting accuracy for regulatory compliance and created enterprise dashboard visibility into the real time performance of critical processes.
- Leveraged these data quality best practices to articulate value of data quality in support of their enterprise data governance initiative.

Solution

Precisely Data360

By assuring that operational and financial data is moving within and among applications and systems as expected, the company can ensure the information is complete, accurate, consistent and reliable.

Selecting a Solution

This insurer quickly recognized that their mainframe migration initiative presented an excellent opportunity to implement data governance, standardize processes, automate end-to-end data quality and expand proven mainframe financial reconciliation rules to the disparate world of distributed systems. The insurer also wished to streamline and speed the process of issue identification and remediation and gain enterprise visibility into data quality metrics. As they vetted possible solutions to ensure ongoing compliance, the company found three primary goals:

- Balance 100% of data transfers between systems and quickly find “out of balance” exception transactions
- Balance and reconcile components of applications separately
- Find and eliminate single points of failure in solution design

Additionally, the organization found the following key technical requirements:

- Provide a central repository for control results
- Support both open systems and mainframe applications
- Support large volumes of data and balancing routines
- Provide user-friendly balancing rule maintenance
- Establish workflows to notify appropriate business owners
- Provide an audit trail and supplementary details needed to quickly research and resolve exceptions

With these goals and requirements in mind, the company began a rigorous selection process, considering both internally developed and externally available solutions.

After an extensive evaluation process that considered internal development costs relating to the existing systems architecture and future system architecture enhancements, the company selected Precisely's Data360. Not only did the insurer decide that Data360 successfully met all the established criteria for scope, cost and timeliness, they recognized the expertise, reliability and depth of support that Precisely delivers.

Solution

Data360 provides the company with a data governance framework to standardize internal controls across mainframe and distributed systems. The solution also supplies auditability of financial practices and processes to find and eliminate compliance, operational and reporting gaps.

Beyond governance, Data360's integrated data quality capabilities fulfilled the company's critical need for reliable, standardized internal controls and financial reconciliations to safeguard regulatory compliance. The solution supplies

enterprise, automated, end-to-end data quality monitoring and reconciliation rules, and eliminates manual process inefficiencies and errors. The solution extended the internal controls and quality rules that existed within the mainframe environment to distributed systems and implemented routine interface and financial account balancing to protect financial data quality across both new and updated systems and the general ledger.

This integrated data quality and data governance solution also delivers unprecedented visibility into the movement of data in and between systems and data quality metrics, allowing the company to quickly figure out the root cause of problems. It sets up reports and workflows that alert data owners and stewards to potential issues for investigation and resolution. Any reconciliation failures or potential quality issues are found and channeled to the right resource to ensure prompt correction to avoid compliance violations.

Results

The implementation of Data360 to set up quality rules in distributed systems beyond the mainframe environment was a resounding success, with the insurer using it as a model for expansion into other core system projects within the organization. Precisely met all goals, requirements and timeframes, achieving positive results and glowing feedback.

Application owners shared the following comments about the solution:

- “Precisely provides considerable detail on each balancing report and improves our ability to locate the source of problems. Prior to Data360, the balancing tool used had far less detail, which often made finding the source of problems very time-consuming
- Precisely gives us visibility into file transformation—something we never had before
- The Precisely solution benefits our organization by:
 - Reducing the risk inherent in manual balancing routines by replacing them with automated controls
 - Providing visibility into system-to-system file transfers of data
 - Quickly identifying and informing appropriate staff of exceptions
 - Supporting financial reconciliation with accurate exception reports

Overall, Data360 provided an end-to-end, data quality-powered data governance solution that met every organizational need and, more importantly, ensured that the organization meets its compliance requirements to execute expedited audits, implement internal controls and provide accurate and timely financial reporting. With this framework, the company is well-positioned to adapt the solution to ensure ongoing compliance with any revised, expanded or new financial regulation to minimize risk, reduce costs and maximize efficiency.