

CIOs Discuss Strategy, Challenges and Industry Changes

Top insurance industry CIOs discuss emerging trends, top technology initiatives, challenges and change in the industry overall.

By Tammy McInturff Appel

Technology is an integral part of the insurance industry. CIOs have a wonderful and challenging opportunity to deliver significant change and transformational business impact. Insurance companies are facing a growing number of challenges as ongoing changes in technology and consumer expectations continue to disrupt the industry. The role of the Chief Information Officer (CIO) is evolving as the industry changes. Today, CIOs are change leaders, innovators and business executives that are not only delivering IT solutions, but also helping to drive revenue and exploit data.

Resource recently talked with four industry CIOs to gain insight into their role in the company and the challenges that they are facing today. Our panel of distinguished CIOs included:

Louise Billmeyer,
Vice-President, CIO U.S. Insurance Solutions,
Principal Financial Group®

Karl G. Gouverneur
Vice President, Digital Workplace and Corporate Solutions,
and Head of Digital Innovation, Northwestern Mutual

Dean Del Vecchio
Executive Vice President, CIO &
Head of Enterprise Shared Services,
The Guardian Life Insurance Company of America

Greg Driscoll
Senior Vice President Service Operations & CIO,
The Penn Mutual Life Insurance Company

Their comments follow:

EMBRACING CHANGE

CIOs play an important role in driving change within the organization and ensuring that technology change is accurately aligned with business goals. However, technological innovation and digitalization are changing the role of the CIO. Today, the position of CIO has evolved to a much more strategic role than it was a decade ago. We asked our panel of CIOs how they see the role of CIO changing.

Resource: How is the role of CIO changing?

BILLMEYER: The continued blending of technology and business to execute on our digital business strategies is creating new opportunities and challenges for both CIOs and business leaders. As IT becomes more deeply engaged in the success of business strategy, the CIO is challenged to inspire a new vision of success for the IT organization and to empower employees to chart a path toward it. Our decades-long history of exceptionally close IT/business alignment has served as a competitive advantage for Principal. Now, the heady pace of change is upping the ante. I think key components of success for the IT organization going forward must include even deeper IT engagement with the business, coupled with strong emphasis by both IT and the business on gaining better understanding of each other. Success will also require us to reach the point where R&D, experimentation and innovative thinking are part of our daily routine and where we're collaborating around technology trends much more pragmatically, with a focus on how they can be quickly applied to solve business problems, create opportunities and/or influence business direction.

GOUVERNEUR: The shift from viewing technology as a back office function to understanding its role as a strategic lever for growth has meaning for technology people at every level. For people who are earlier in their careers and moving up through the ranks, it creates opportunities to make strategic contributions, and see the impact of their work on a business. That's exciting.

What does it mean for CIOs? It's essential to look across your entire company, and truly know the business—not just your technology organization. Matters like budget, on-time

delivery, and uptime still matter, but they're just table stakes at this point. The heavier focus now is on digital transformation, measurable outcomes, quality of client experience, and insights delivered. We are headed toward a place where IT measures are now considered part of an enterprise's business outcomes. The role used to be about cost control and stable operations, but now it's about influencing, strategizing, shaping priorities, contributing to growth, teambuilding, providing business agility, and innovating. We used to be fortifiers; now we're explorers. That's also very exciting!

DEL VECCHIO: The CIO role has become paramount in the future success of most companies. Technology is becoming the new language of business, which is why it is important for leaders in all business disciplines to be fluent in how technology can be applied to solve their most important challenges and leveraged to optimize new opportunities. The CIO role in most companies has also expanded to include real estate, facilities, sourcing and business operations.

DRISCOLL: No matter your industry, the pervasive nature and evolution of technology capabilities has required the CIO to step out of the back office and engage in delivery of the overall firm strategy. Whether it be in how products and services are delivered, the experience of how your clients interact with your business model or the need to balance innovation, current operations along with risk management. I feel this evolution continues with the CIO now positioned to participate not just in delivery of the company strategy but also in strategic visioning. It is no longer enough to focus on running the enterprise; rather I believe that the CIO is positioned to help shape how a firm delivers on its strategic and operational goals. While it may be daunting at times, it is also a fun time to be in the role.

TOP INITIATIVES

Our panel shared with us their current top IT priorities for this year.

Resource: What are your top two IT initiatives for 2018?

BILLMEYER: Our large portfolio of projects includes significant strategic, compliance-related and operational efforts. They're all important, but when asked to narrow the field, our customer-focused efforts rise to the top. Key among these are customer experience-related initiatives, which will allow us to implement self-service capabilities for our customers, and digital sales support, e.g., digital application and enrollment capabilities, for advisors. In addition to these efforts, our initiative to evolve our Software Engineering Development Practice will ultimately enable us to elevate product delivery and service provision to our customers in truly transformative ways.



“Leveraging AI to access higher-quality data and develop risk models that can learn will have a dramatic impact on the way we price products and manage risk into the future.”

Louise Billmeyer,
Vice-President, CIO U.S. Insurance Solutions,
Principal Financial Group®

GOUVERNEUR: Our top priority will be continuing and accelerating the company's transformation, focused on the digital and client experience. Key to this will be continuing to adopt agile ways of working across the enterprise—bringing speed without losing sight of the fundamentals. This goes beyond our technology teams, who will gain even greater expertise with approaches like DevOps and continuous integration/continuous delivery. They'll also help teams across the company work in ways that accelerate delivery, power our digital strategies, contribute to business outcomes, and elevate employee engagement.

Beyond that top priority, it's difficult to single out another. We have an award-winning digital innovation program. Among those initiatives that stand out, I can highlight our engagement with startups and venture capital ecosystem, modernizing core legacy business applications, cloud migrations, delivering insights with our advanced data and analytics capabilities, keeping our sharp focus on information protection and cybersecurity, and many more. These are all components of our drive to create a distinctive client experience.

DEL VECCHIO: Guardian's IT organization is working on many programs to further modernize our business, mostly focused on improving our client experience while continuing to advance information security against the evolving threat landscape. Two initiatives we believe will exponentially change our business are cloud services, coupled with automation, and artificial intelligence.

DRISCOLL: For Penn Mutual, our product development and delivery is always at the top of our technology priority list for it is our products and distribution that allow us to continue to invest across the enterprise. Over the prior few years, we have navigated away from a focus on large stand-alone initiatives to focus more on the experience we deliver to our advisers and policyholders. This has oriented our technology development on iterative delivery of functionality to enhance these experiences.

For 2018 our priorities include continued buildout of functionality to support our accelerated application, underwriting and issue capability launched in 2017 in our life

insurance line of business. We launched this capability based on a “minimal viable experience” knowing that we still had functionality to deliver in 2018. This touches on a number of platforms that span from externally facing portals through to home office-oriented applications. In addition, with the success we have seen in our rollout we realize that we must improve our adviser contract and license process thus we have kicked off an initiative to bring greater automation and reduce friction in what is the initial experience for an adviser looking to join Penn Mutual.

GREATEST CHALLENGES

In addition to ensuring that their organization obtains the greatest value from their IT investments, CIOs today face a number of other challenges—speed to market concerns, retaining IT talent, budget constraints and privacy and security concerns. Our panel of CIOs shared some of the challenges that they are currently facing.

Resource: What are your two greatest IT challenges this year?

BILLMEYER: Top initiatives are often double-edged swords: they deliver big gains but often create some pain along the way. That's the case with the initiative to mature our software development practice. We've realized enormous benefits from five years as an agile organization. Today, I'm proud to say our agile practice is sound; but we're not complacent. We're focused on continuing to evolve our software engineering culture by practicing desired behaviors in our development labs and shifting our perspective from project to product delivery.

A more tangible challenge facing us this year is in the area of master data management (MDM). We're focused on modernizing our approach to MDM by improving our speed at obtaining quality, consolidated data from across the entire organization. A pivotal part of the initiative will be to increase the quality of the tools and processes we use for MDM. It will be a challenge, but well-worth the effort since it will significantly enhance customer experience around data quality and speed of access.





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Karl G. Gouverneur,
Vice President, Digital Workplace and Corporate Solutions,
and Head of Digital Innovation, Northwestern Mutual

GOUVERNEUR: First, we’re asking our people to adapt to a lot of changes. While our teams are doing great work, there’s no denying that the culture change associated with our agile transformation places demands on them that are sometimes unfamiliar and complex. We’ll need to make sure the benefits of this transformation are clear, so everyone can see that working through the challenges is worthwhile.

We’re also contending with the very low interest rate environment that has challenged our industry over the past several years. Operating responsibly in these conditions means keeping a focus on expense management, continuously setting priorities and stopping non-value-added work. That’s a good business practice, but it’s tougher to accomplish while we are also expanding our capacity to deliver on key digital initiatives. As with the cultural changes, it requires a lot from our people—and it’s the job of technology leaders to help remove obstacles and create an environment that allows our teams to excel.

DEL VECCHIO: Speaking from an industry perspective, we operate in a target-rich environment; our portfolio includes systems that are on the cutting edge of technology as well as ones originally built 40-plus years ago.

The first challenge is balancing efforts between modernizing our business, which has been successful for almost 160 years, and finding bold new ways to disrupt ourselves and delight our clients, with new products, services and experiences.

The second challenge is talent. How do we continue to attract, develop and retain people and teams with the right skill sets to be successful in this ever-changing business landscape? We are proud to have people who, in their development of key skills, through certifications in cloud, agile and cybersecurity, have taken on new roles in the company, working on our most critical programs.

DRISCOLL: Over the prior two years, we oriented ourselves to be a leader in the life insurance marketplace with a focus on organic growth and providing our products and solutions to an increasing number of individuals. The concept of innovation within the insurance industry has been discussed for many years and many of us, including Penn Mutual, have struggled to break free of our risk aversion, legacy systems and traditional approach to change in an effort to mirror what

can be seen in other industries such as retail. I feel that at Penn Mutual we have fostered a culture that allows us to take risk and establish a vision that drives our associates to reimagine the delivery of our products and services.

I raise this point because I feel that the greatest challenge we have is to continue to foster an environment that allows for us to look for the next opportunity, the next leap forward for our industry. In the role of CIO we are often drawn to a technology or organizational element such as talent but it is important that we also recognize the importance of culture within the organization for it is culture that makes advancement sustainable. An additional challenge, related to delivering industry leading solutions, will be staying on top of emerging technologies that can continue to enhance our offerings. While there are many good ideas and technologies to pursue we will be challenged to remain focused on those with the greatest upside for Penn Mutual.

SUCCESS & CURRENT ACHIEVEMENTS

Despite all of the challenges of their job, the CIOs we talked with had plenty of achievements for which to be proud. Our panel of CIOs shared with us some of their recent successful initiatives and achievements.

Resource: What project or initiatives are you most proud of this year?

BILLMEYER: I’m proudest of the initiatives that create—or have the potential to create—the most benefit for our customers. Key among these are our R&D efforts; the active experimentation we’re conducting with start-up companies and insurtech organizations, like Global Insurance Accelerator and Plug and Play, to improve customer engagement; and the data mining we’re doing to better understand customer behaviors.

I’m also proud of the efforts we’re undertaking to enhance our relationships with advisors by streamlining our new business processes, i.e., business submission, underwriting and policy delivery. This initiative will make it easier for the advisor to conduct business with us. In addition, it will deliver secondary benefits to customers who prefer self-service engagements when purchasing products.

GOUVERNEUR: I’m proud that Northwestern Mutual continues to drive toward providing a distinctive digital experience for clients, while retaining our focus on our historic strengths. Our company’s expectations from our technology functions have never been higher—and for a 30+ year veteran of IT, that’s exactly what we want. It keeps us focused on a set of business outcomes that are tied to the company’s continued success.

Another source of pride is that our digital innovation program delivered \$40 million in value in 2017. This is from several different elements of our program that began as experiments and ultimately were deployed. These include tools that improve efficiency for our financial advisors in the field, and simplify tasks in the home office. The value of our digital innovation program goes beyond dollars, though. Ideas for experiments were solicited from employees and our financial advisors, and they were further developed in partnership with engineers from across our tech function. In the process, an awareness of rapid delivery methods and innovative development techniques spread throughout the enterprise, helping to build a culture of innovation that accelerates our digital transformation.

DEL VECCHIO: We have worked diligently on our Workplace Strategy, which includes resetting our entire real estate portfolio in Pennsylvania, New Jersey and New York. Many of our team members are working remotely, either on a part-time or full-time basis, within a program we call Guardian on the Go, shifting how, when and where our work gets done.

We have had very good early success with adopting the Agile Framework across all of Guardian, with teams reimagining the way they work. This approach has contributed to our client-facing and automation efforts. This effort was made possible with tremendous business support, including our CEO, Deanna Mulligan, who is being trained in SAFe Agile.



“We believe we are well positioned to participate in industry disruption and are looking forward to serving more people and improving the experience of our customers.”

Dean Del Vecchio,
Executive Vice President, CIO and Head of Enterprise Shared Services,
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We continue to advance our cybersecurity in light of evolving threats, through new tools and methods. For example, we have been using big data analytics to quickly detect anomalous activity and appropriately respond, and have built this out significantly over the past year. I expect more to come, including

through automation and artificial intelligence. We also continue to work closely with our cloud partners on new capabilities, including preventative and automated ones early in the application development life cycle.

DRISCOLL: Without question it is the August 2017 deployment of our end-to-end life insurance purchasing platform which we call the Accelerated Client Experience or

ACE. This initiative encompasses digitizing the entire flow of client application, online client health assessment, data driven requirements gathering, auto-underwriting, illustration integration, submission, policy issue and payment. We were able to deliver this capability across all our product portfolio and into our adviser community, strengthening their ability to serve clients.

There are a number of reasons that we are proud of this initiative and I think two points summarize this best. First, the increase in efficiency enabled by this platform is allowing our advisers to offer solutions to individuals that otherwise they may not have had the time to engage. We have witnessed the time lapse from start of an application through payment of initial premium drop to as low as 14 hours. This is a process that historically has taken weeks in even the smoothest instances. Secondly is the satisfaction of our advisers with the program. The platform has been adopted by advisers much more quickly than we originally anticipated. Just four months after launch 19% of our issued cases in December 2017 were sourced through our ACE platform.



In addition, we are very proud of how our associates pulled together to make this platform a reality. We established seven distinct Agile teams, six aligned with the technical delivery elements noted and an additional team aligned with organizational change management, to deliver this capability in just 15 months. For Penn Mutual, we had never approached an initiative this complex in a full Agile manner which required tremendous coordination across teams. We asked our associates to challenge themselves and challenge the status quo and they delivered.

TECH SOLUTIONS TO WATCH

New technologies can present new opportunities and new challenges. We asked the panel of CIOs what technology solutions they were watching right now.

Resource: What technology solutions or trends are you keeping a close eye on right now? How will this solution or trend influence how you do business?

BILLMEYER: One technology we're watching closely is blockchain because of its huge potential to deliver industry-wide advantages. By collaboratively leveraging blockchain technology to address business integration/sharing problems, the entire insurance industry stands to realize significant benefits. I'd compare its potential benefits to those delivered by the establishment of data standards, which had a transformative effect on our industry in terms of both business-to-business and business-to-third-party information sharing. MIB, Labs, reinsurers, etc., are clear examples of the latter.

GOUVERNEUR: Even as we need to keep our focus on key initiatives, it's also necessary for technology leaders to maintain a very wide view of the many forces shaping the digital landscape. But some of the areas we're keeping an especially close eye on are several data and analytics trends like deep neural networks, natural language generation, and machine learning. Given our near-obsession with the client, we view immersive client experiences with great interest. Finally, digital medicine captures our attention with its potential to identify and address risks before they have

negative impact on our clients. We focus our investment attention in these areas, too, with our corporate venture fund—Northwestern Mutual Future Ventures.

DEL VECCHIO: We have many technologies and trends that we monitor directly or through partnerships with startup companies and research firms. In terms of efficiency improvements, we are very interested in traditional automation solutions, such as robotic process automation and speech analytics. We have launched several programs that will deliver significant improvements this year. Looking ahead, we are exploring artificial intelligence to enhance our client experience, leveraging solutions such as natural language processing (NLP), machine learning and deep learning.

DRISCOLL: Each day we hear about the next emerging technology or vendor solution and it is a challenge to cut through the noise and identify those key technologies that will aid in delivery of our firms strategic and operational goals. For Penn Mutual this means continually asking how a new or emerging technology aligns with and supports our strategy of being an adviser-oriented company. I could easily list a dozen emerging technologies that we are either actively engaged in delivering, evaluating or researching to determine how they can affect our delivery in the future.

Our current delivery priority is further buildout of our API oriented data architecture as a foundation off which we continue to enhance our business capabilities. About 7 years ago, we committed to fully developing a service-oriented data platform and this decision continues to benefit Penn Mutual through a nimble delivery and integration capability. This capability was leveraged to allow us to deliver our ACE platform mentioned earlier and is providing reliable and consistent information across our adviser, client and associate communities.

Looking ahead we are actively pursuing machine-based learning algorithms that will allow us to continue to advance our data driven underwriting capabilities. We are focused on determining which are the most important data attributes and how they can aid in underwriting decisions. The advancement occurring in machine-based learning algorithms is intriguing and I feel this advancement has the potential to rapidly change underwriting capabilities across all insurance lines.



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**Greg Driscoll, Senior Vice President Service Operations & CIO,
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TECHNOLOGY TRENDS

When it comes to new technologies, today's CIO has to be able to filter out the hype from the solutions that may have real potential to help their business. Artificial Intelligence (AI), the Internet of Things (IoT), blockchain, and advanced analytics are just a few of the hot topics in the industry today. We asked our panel of CIOs what technology they see having the most impact on the industry.

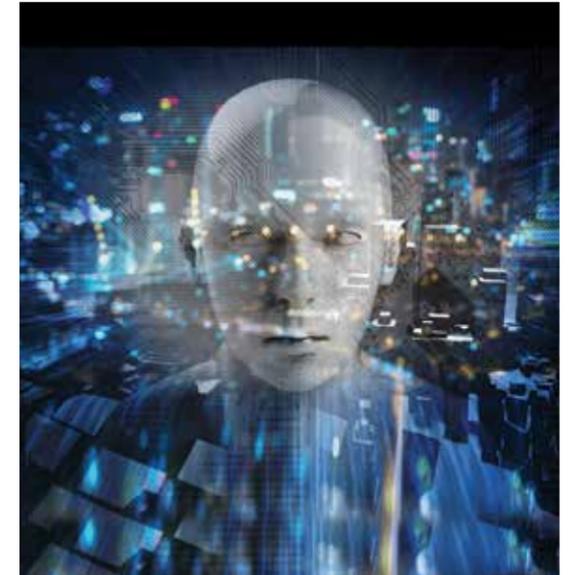
Resource: There are a lot of trends and technologies that are impacting our industry today, and some have the potential to change the way we do business, including the IoT, AI, Blockchain, mobile technology, and advanced analytics, what trend or technology do you see having the most impact on the industry?

BILLMEYER: Many emerging trends and technologies have the potential to impact our industry and change the way we offer solutions and conduct business. I believe artificial intelligence is one of the stand-outs because of the degree to which it has changed (and will continue to change) the way we do business. Leveraging AI to access higher-quality data and develop risk models that can learn will have a dramatic impact on the way we price products and manage risk into the future.

Certainly, the technology that has the greatest potential for impact to an organization ultimately depends on that organization's business strategies and challenges. At Principal, we've identified five technologies that are best able to drive growth within our organization. They are data analytics, artificial intelligence (AI), digital experience, cloud and platform ecosystem, and API (application programming interface).

GOUVERNEUR: All the things you mention will have an impact—but what matters more than any specific technologies or trends is what they will do for those who come in contact with them. I believe the most impact anyone can have on their business and industry is to remove friction and pain points in the client experience, and be obsessed with driving simplicity. That means using any or all of the enablers mentioned here—or even ones we don't know about yet.

DEL VECCHIO: We believe that integrating the right combination of technologies will have the greatest impact on our industry. For example, combining facial recognition with consensus identity management on a smart contract blockchain platform could fundamentally change how we share detailed information among the various participants in our ecosystem. This would make the goal of electronic health records achievable at scale. This could be further enhanced with all sorts of IoT devices, including, but in no way limited to, fitness trackers, weight scales, blood pressure cuffs, glucometers and other medical devices.



DRISCOLL: Earlier I mentioned machine-based learning as an area that we are actively targeting and I feel strongly that these technologies will have a great impact on the insurance industry however I feel that as we look ahead the greatest potential impact will come from blockchain implementations. The potential to automate absolute trust transactions across the entire value chain of our business model is almost too much to think through. The core concept of blockchain as a distributed ledger will have far reaching impacts across all industries as it matures and defined implementations begin to form. In the near term I believe we will see the emergence of “smart contracts” that facilitate exchanges without the need for third-party engagements, such as a transaction broker, as well as implementations linking insurance carriers and their reinsurance partners to optimize processes and auditability of transactions. This technology may be primarily affiliated with crypto-currencies in the media today but I see the real benefit coming in the next few years as businesses begin to implement process improvement based on blockchain implementations.

FUTURE TRENDS AND THE INDUSTRY

Change is happening at an ever-increasing pace in the industry today. Technology, consumer expectations and employee expectations are all rapidly changing. It is difficult to predict what the next decade will bring for insurance companies, however insurers must keep looking ahead to what is next on the horizon. Our distinguished panel of CIOs provided some insight into the changes we can expect in the next decade.

Resource: Where do you see the insurance industry in 10 years?

BILLMEYER: Ten years from now—and beyond—I believe our value proposition to the customer will remain the same. We'll continue to provide excellent advice and service in meeting their protection needs. But in 10 years, the way we deliver on that promise will be very different. We'll be light years ahead of where we are today and faster than we can even imagine at using data and customer expectation intelligence to shape the solutions and services we offer. We'll also excel at meeting our customers where and when they prefer and working with them through the channels they choose. I also believe diversified distribution relationships will be a reality, deftly accommodating customer preferences for obtaining advice and purchasing solutions.

GOUVERNEUR: My first thought is, Who knows? I don't say that just to be funny. Much of what we as digital leaders need to do is to anticipate what's coming, prepare for it, understand the risk—and then pivot when the reality changes. We'll need to continue to operate that way in the decade ahead.

But there are a few things we can count on. Some insurtechs will emerge, some will mature, others will fall away, and still others will be acquired. The digital experience will likely permeate the client's experience with insurance—not only with respect to distribution, but also with digital medicine potentially changing how health information is gathered and monitored. This could even lead to new insurance products, though this is likely to have more impact in property and casualty and health insurance than in our space of providing financial security.

Whatever the coming decade brings, I'm looking forward to it! And I know a lot of my colleagues are too. This digital era is a wonderful time to be a tech professional. We get to respect the past, lead today, and prepare for the future.

DEL VECCHIO: We live in interesting times. Fortune 500 companies across all industries are having difficulty staying relevant, and disruptors are having unprecedented success. We are focused on growing our business by 2020 and changing our business by 2025, leveraging SAFe Agile to adapt to market conditions.

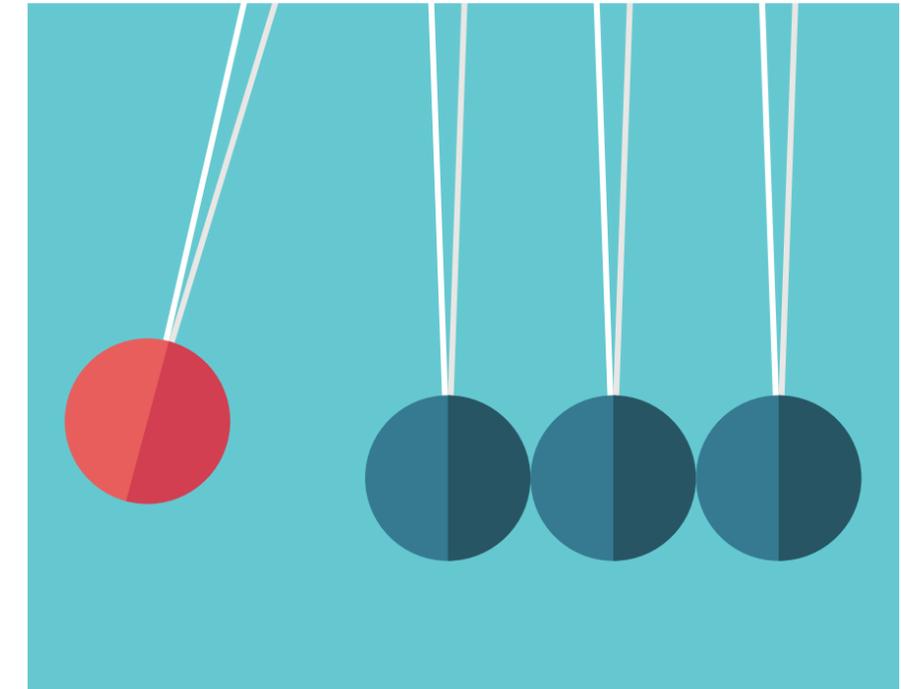
The joint venture just announced by Amazon, Berkshire and JPMorgan certainly creates some interesting opportunities and challenges for the health care industry as a whole. We believe we are well positioned to participate in industry disruption and are looking forward to serving more people and improving the experience of our customers.

DRISCOLL: In our role we are often focused on change however there are a number of elements that I feel are important to also recognize elements that should remain consistent over the next decade. Looking back a number of years Penn Mutual has remained consistent in our belief that life insurance is the foundation of a sound financial plan and is best delivered through a client's relationship with a trusted adviser. We do not see this changing. Our solutions remain a very viable and important product to protect individuals, families and small businesses. Our products will remain best delivered through a financial professional that spends the time to understand a client's full perspective including their logical and emotional needs. Our goals are to make the distribution of our competitive products easier and more efficient while retaining suitability and regulatory compliance. We need to provide advisers the ability to scale their business models through the opportunity of continued enhancements offered by technology capabilities. This ability to scale will span lead generation, solution modeling, underwriting, ongoing service and beyond.

I so believe that we will see tremendous opportunity to enhance our business model through the delivery of the automation of trusted transactions across multiple parties via blockchain technologies. Also the industry has the potential to offer enhanced, and potentially continuous underwriting, for those willing to share their wellness information on an ongoing manner, potentially through IoT devices, while pursuing individualized product pricing as our algorithmic capabilities evolve. I don't believe any of us can predict 10 years out but feel we can all agree that it will not be boring!❖

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