Gartner Research

How Insurance CIOs Can Determine KPIs That Correlate to Digital Operational Excellence

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Initiatives: Financial Services Digital Business Strategy and Innovation

Digital focus among insurers is shifting from growth to improving the customer experience and operational excellence in 2023. CIOs of insurance organizations can use this research to determine KPIs that help them prioritize investments in digital capabilities to improve operational excellence.

Overview

Key Findings

- Adjusting the I&T operating model to increase adoption of agile methods, design thinking, cross-functional teams and IT leadership culture has a significant positive impact on operational excellence.

- Enabling digital business with foundational technology such as AI and data analytics, cross-channel customer data access, cloud-native architecture adoption and modern customer UI adoption is essential to improving operational excellence.

Recommendations

As an insurance company CIO responsible for digital business strategy and innovation, you should:

- Anchor your operating model KPIs to specific, desired digital business outcomes — such as operational excellence — and ensure that goals are time-bound, measurable and correlated to outcomes.

- Build a holistic metrics library of KPIs that measure the technology platform capabilities that will be the foundation on which your operational excellence initiatives will be built.
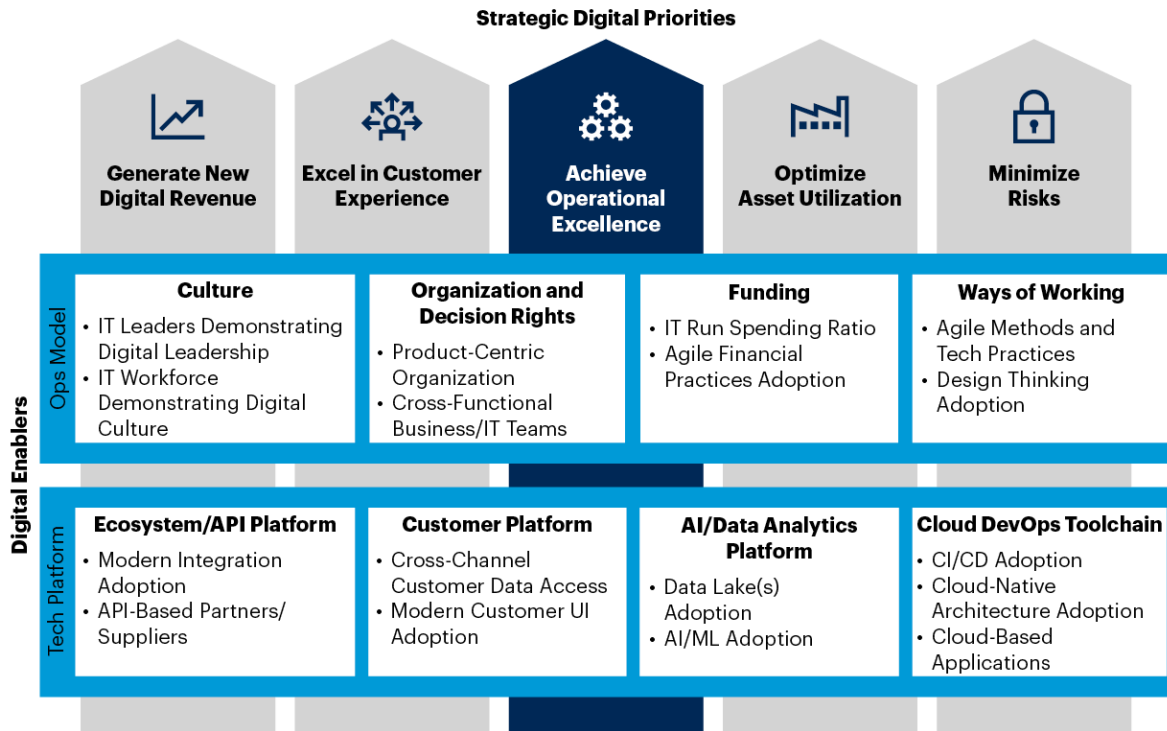
Introduction

The 2023 Gartner CIO and Technology Executive Survey [1] found that CIOs are more likely to report tactical aspirations, especially in regard to their digital initiatives. And although revenue growth is a common objective of digital technology investments (ranked third, over even legal and compliance), it was outranked by improving operational excellence. But for CIOs to be effective at improving operational excellence, they need to understand which specific capabilities and inputs strongly correlate to that goal (see Glossary for the definition of the dimensions of operational excellence).

Digital business benchmarks have become very important as enterprises accelerate their digital journeys. By digital business, we mean the degree to which an insurance company conducts or transacts business via digital means. Digital business transformation is the adoption of a new business model. Digital business optimization is improving on existing operational capabilities. Examples include the percentage of automated underwriting decisions or the percentage of first notice of loss done digitally.

Gartner's Digital Execution Scorecard (DES) provides objective feedback on progress by using digital key performance indicators (KPIs) to benchmark an organization against its peers to determine where insurance CIOs need to focus, accelerate to scale or optimize (see Digital Execution Scorecard). To kick-start this for CIOs who need to develop an actionable operational excellence strategy, Gartner has identified 17 KPIs that correlate with improved operational excellence (see Figure 1 and see Note 1 for each KPI and its maximum impact scores).

Digital Execution Scorecard – Performance Metrics That Strongly Influence Operational Excellence

Strategic Digital Priorities

- Generate New Digital Revenue
- Excel in Customer Experience
- Achieve Operational Excellence
- Optimize Asset Utilization
- Minimize Risks

Digital Enablers

Ops Model

Culture
- IT Leaders Demonstrating Digital Leadership
- IT Workforce Demonstrating Digital Culture

Organization and Decision Rights
- Product-Centric Organization
- Cross-Functional Business/IT Teams

Funding
- IT Run Spending Ratio
- Agile Financial Practices Adoption

Ways of Working
- Agile Methods and Tech Practices
- Design Thinking Adoption

Tech Platform

Ecosystem/API Platform
- Modern Integration Adoption
- API-Based Partners/Suppliers

Customer Platform
- Cross-Channel Customer Data Access
- Modern Customer UI Adoption

AI/Data Analytics Platform
- Data Lake(s) Adoption
- AI/ML Adoption

Cloud DevOps Toolchain
- CI/CD Adoption
- Cloud-Native Architecture Adoption
- Cloud-Based Applications

Source: Gartner
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There is no single authoritative list of IT metrics for insurance companies. And using too many metrics that apply to too many use cases will result in an arbitrary exercise that will not be valuable from an executive decision-making perspective. The examples provided in this research are ideal to provoke a discussion between CIOs and business executives on where to start their KPI journey. The KPIs for improving operational excellence are focused on two areas:

- Operating model characteristics and KPIs that can improve operational excellence

- Digital platform characteristics and KPIs that can improve operational excellence

Analysis

Create an Operating Model and Culture That Fosters Operational Excellence

Insurance priorities are pushing forward toward driving operational excellence through information and technology (I&T), which will require changes to IT and enterprise operating models. When value delivered through I&T is less than expected, operating models are often the culprit. Changing the operating model to deliver more value requires initiating a program to do so. Addressing areas such as culture, agile practices, design thinking and product centricity all yield improved operational excellence. The impacts revealed in our DES for addressing such areas are seen in Table 1.

There are several things that will allow an insurance company to scale agile practices alongside robust software engineering practices beyond a few pilot areas, such as:

- Mastering agile practices and tools such as test-driven design and continuous integration.

- Driving a new culture and embracing new inclusive leadership styles. New leadership models and a strong commitment to change traditional behaviors are critical to enable teams' success.

- Transforming a digital organization into small, cross-functional, self-sufficient and largely independent teams to deliver value to users and customers.

- Assigning teams to capabilities, products and value streams accelerates the implementation of a "product-centric" operating model, which is critical to a digitally transformed organization.

- Designing methodologies such as design thinking, persona mapping and customer journey maps such that they are fundamental to the way that successful organizations tackle digital innovation.

Table 1: Optimizing the Operating Model for Operational Excellence

(Enlarged table in Appendix)

Key Performance Indicator	Maximum Impact
Culture	
■ IT Leaders Demonstrating Digital Leadership Culture (%)	18%
■ IT Workforce Demonstrating Digital Culture (%)	22%
Organization and Decision Rights	
■ Product-Centric Organization Adoption (%)	27%
■ Cross-Functional Business-IT Teams (%)	21%
Funding	
■ Funding — IT Run Spending Ratio (%)	22%
■ Agile Financial Practices Adoption (%)	20%
Ways of Working	
■ Agile Methods and Technical Practices Adoption (%)	19%
■ Design Thinking Adoption (%)	18%
n = 85 Insurance Organizations	

Source: Gartner

How to Read This Data

Enterprises can yield a maximum 22% increase in their operational excellence by increasing product-centric organization adoption from bottom quartile to top quartile (see Note 2 for the bottom and top quartile values for these KPIs for insurance organizations). CIOs should not attempt to become industry leaders for all KPIs or the underlying capabilities the KPIs are measuring. CIOs can determine what percentile they fall into by completing the DES.

An operating model describes how the enterprise will deliver the I&T capabilities required to successfully execute its strategy. This model sets out the approach, parameters and standards in areas such as resources, skills, structure and working methods. In short, it is a high-level description of "how things get done" in terms of I&T. Selecting, designing, piloting and scaling the appropriate operating model for an insurance company is situational. To begin, CIOs, along with their business peers, can do a preliminary assessment of the operating model using Gartner's IT Score for CIOs (see IT Score for CIOs). This can be followed up with a deeper-dive workshop (see Toolkit: Workshop for Creating an Action Plan to Reach Your Target I&T Operating Model). CIOs can use this workshop with their management teams to define the target operating model that aligns with enterprise goals and to develop implementation plans.

A word of caution. Culture and climate and operating models are two different things. CIOs will find it difficult, if not impossible, to evoke transformational change in the absence of leadership that believes in it. Authentic leadership, therefore, is a top priority (see 5 Leadership Characteristics for CIOs to Succeed as a Digital Transformation Leader). One insurance company that transformed its operating model to materially change operations is Wakam.

Wakam

Wakam uses adaptable product portfolio management to reduce the risk of creating unprofitable products. By combining agile product development with a focused business model and defined culture, leaders at Wakam increase their speed to market with the confidence to face actuarial challenges as they arise. They did this by using:

- A proprietary, agile-methodology-based product development process that allows the product team to launch new, minimum viable products and quickly adjust them to maintain profitability.

- A focused business model that minimizes Wakam's risk when rapidly moving into new markets.

- A defined culture, reflected in the business's organizational structure and processes, that encourages employees to critically evaluate how their work aligns with organizational goals, prioritize self-improvement and challenge conventional wisdom. Reinforcing these mindsets and behaviors helps employees to avoid the risk-averse mindsets typical in the industry.

Since its founding in 2015, Wakam has achieved:

- Creation of approximately 400 different products with approximately 140 partners using its APIs. Nearly all of these products are reusable for new partners.

- An increase in API call processing to 4 million per week, with processing peaks of more than 20 million per month.

- A reduction in the average response time for quotes requested via APIs, from 400 milliseconds two years ago to 250 milliseconds currently.

For a complete review of this case study see Case Study: Rapid Product Development Through Adaptable Portfolio Management (Wakam).

Lay the Groundwork for Improving Operational Excellence Performance With a Solid Digital Foundation

Technologies play an integral role in supporting business outcomes (see Insurance Scenarios: Sense and Plan for Alternative Futures in an Era of Constant Change). For example, between 2015 and 2022, Gartner collected 313 use cases in our annual Eye on Innovation research from insurance companies around the globe. Forty-five percent of the submissions' focused on the initiative of operational efficiency. [3] The technologies most used in those initiatives were AI/ML, analytics/big data, data management, cloud computing and APIs, all of which have KPIs noted in this research.

Insurance CIOs must develop a digital business technology platform roadmap aligned to these emerging scenarios or jeopardize the success of their operational effectiveness objectives. A key aspect to this is approaching the technology foundations as an evolution in capabilities. Gartner's digital business technology platform provides a framework for how to envisage this technology expansion. This enables CIOs to plan their technology portfolio in a more connected way to identify the needs for customers, data, partners and employees and overlay their future business models (see Digital Business Technology Platforms Give Insurers Greater Value as Digital Maturity Advances). Key technologies include standardized APIs, customer platforms, effective use of data, AI/ML and cloud technology.

By leveraging standardized APIs and real-time data feeds, modern integration techniques enable fast and flexible implementation and provide new types of services. This accelerates the value delivered to partners and enterprises (see To Prepare for Open Insurance Opportunities, CIOs Should Strategically Invest in APIs). Scaling out innovation and digital capabilities requires balancing speed of delivery with the risk of exposing assets and technologies to ecosystems and service users. Achieving higher compliance with security policies significantly reduces risk and impediments to scaling new capabilities and features.

Transformed digital organizations leverage data platforms that fully exploit data generated inside and outside the organization. The ability to implement innovative use cases and leverage analytics to improve operationally depends on an organization's ability to provide data scientists and data analysts with access to information. Adoption of data lakes is an indicator strongly associated with organizations that have grasped this complex challenge. Moving AI/ML usage beyond experimentation requires organizations to adopt application development techniques that "build in" these new capabilities. Advanced organizations integrate AI/ML features into different functional areas, such as chatbots and underwriting in customer interactions (see Digital Insurance Success Requires Leveraging Data, Analytics and Artificial Intelligence).

Adoption of public and private cloud technologies is a critical capability for any digital business. Organizations that have an IT infrastructure that benefits from cloud adoption (elasticity, automation and ability to scale) typically demonstrate superior business agility, better speed to market and higher levels of innovation (see The Future of the Cloud in Insurance: A Vision for 2027). Table 2 provides insights into the benefits of adopting key technologies into your digital business technology platform to achieve operational excellence.

Table 2: Establish a Digital Foundation

(Enlarged table in Appendix)

Key Performance Indicator	Maximum Value
Ecosystems and API Platform	
▪ Modern Integration Adoption (%)	32%
▪ API-Based Partners/Suppliers Integration (%)	21%
Customer Platform	
▪ Cross-Channel Customer Data Access (%)	27%
▪ Modern Customer UI Adoption (%)	15%
AI and Data Analytics Platform	
▪ Data Lake(s) Adoption (%)	22%
▪ AI/ML Adoption (%)	21%
Cloud and DevOps Toolchain	
▪ Continuous Integration/Continuous Delivery Adoption (%)	23%
▪ Cloud-Native Architecture Adoption (%)	20%
▪ Cloud-Based Applications (%)	17%
n = 85 Insurance Organizations	

Source: Gartner

How to Read This Data

Enterprises can yield a maximum 32% increase in their operational excellence performance by increasing the adoption of modern integrations from the bottom quartile to the top quartile (see Notes 1 and 2).

CIOs can determine what percentile they fall into by completing the DES. The DES then provides details on each of the KPIs and whether they exceed or miss the performance ambition. CIOs can use this information to prioritize which KPIs and underlying capabilities require attention first.

Modernizing insurance technology or prioritizing how to approach building out an insurance company's digital business technology is complex and occurs over time. As a start, insurance CIOs can create hypothetical future scenarios to determine the path down which they should go. Gartner has identified four plausible future scenarios that can help insurance CIOs identify potential technology blind spots to formulate strategies for adapting to a rapidly changing world. Insurance CIOs should examine the range of forces that may impact the organization's future, whether technological, political, economical, social/cultural, trust/ethics, regulatory/legal or environmental (TPESTRE). Then use techniques such as scenario planning to determine the impact of these forces and to develop their technology strategy and priorities (see Insurance Scenarios: Sense and Plan for Alternative Futures in an Era of Constant Change).

Insurance CIOs should also develop a framework for assessing their organizations' readiness for digital business by developing a comprehensive catalog of the current system, technology capabilities and near-time initiatives. They should then plan the timing of technology investments by sequencing technology capabilities and initiatives on a digital business roadmap consistent with their companies business model (see Digital Business Technology Platforms Give Insurers Greater Value as Digital Maturity Advances).

For the first iteration of business deliverables, CIOs should focus on the initial business needs of their companies' digital ambition. CIOs should deliver the first iteration and then plan to continuously improve its capabilities, add features, and expand its capacity as people use it and provide feedback. In this way, CIOs can realize business value faster and avoid overinvesting in technologies or levels of functional capability that they may not need. Some organizations, such as Symetra, have greatly improved their operations for new business and underwriting.

Symetra

Symetra's SwiftTerm is a term life insurance product targeting 25- to 45-year-olds. It aims to deliver a simplified end-to-end digitally native experience (signature, payment, delivery and support), enabling qualified customers to buy up to $2 million of coverage in less than 25 minutes. It connects multiple SaaS solutions to provide capabilities from initial agent and customer contact through to policy issuance and into customer support for the life of the policy. The platform handles applications, workflow, underwriting, third-party data, pricing, policy administration, contact center and payment in one streamlined process.

> SwiftTerm is modeled as a microservices-based event-driven architecture, enabling each capability to be upgraded or enhanced without impacting other parts of the process. It integrates data into machine-driven underwriting decisions by using more than 80 autoscaling RESTful APIs and a centralized API layer for all transactions.
>
> The application-to-approval process for SwiftTerm clients takes about 25 minutes, instead of the typical 40 days. Customer satisfaction score is 90%, and 60% of applications have been converted into policyholders.

Evidence

[1] **2023 Gartner CIO and Technology Executive Survey.** This survey was conducted to help CIOs and technology executives overcome digital execution gaps by empowering and enabling an ecosystem of internal and external digital technology producers. It was conducted online from 2 May through 25 June 2022 among Gartner Executive Programs members and other CIOs. Qualified respondents are each the most senior IT leader (e.g., CIO) for their overall organization or some part of their organization (for example, a business unit or region). The total sample is 2,203 respondents, with representation from all geographies and industry sectors (public and private). *Disclaimer: Results of this survey do not represent global findings or the market as a whole, but reflect the sentiments of the respondents and companies surveyed.*

[2] **Digital Execution Scorecard Evidence Engine.** This provides a comprehensive set of digital strategy benchmarks to accelerate decision making and drive execution. CIOs can use their DES report to prioritize digital capability investments and focus efforts on their most important objectives. This analysis is based on cross-industry strategic digital KPI data from nearly 1,200 global organizations.

[3] **Financial Services Eye on Innovation Database.** The Gartner Eye on Innovation Awards for Financial Services recognizes financial services firms globally for their best-in-class technological innovations Participants included banks, insurance firms, investment management or lending companies, and payment end-user firms of all sizes and from all regions.

Glossary

Digital Operational Excellence Component KPIs	Fully Digitized Enterprise Transactions % — Digitized enterprise transactions (e.g., supply chain, administrative and functions that are not customer-facing) are fully digitized and orchestrated (e.g., not requiring any nondigitized tasks such as paper-based work, emails or similar nonautomated processes).Time to Market for Brand-New Product (months) — Include products marketed and sold to customers. Do not include virtual IT products delivered to employees or other stakeholders. Approval decision is the moment that the organization commits to invest in the brand-new product idea.Analytics-Enabled Workforce % — Non-IT employees that are regularly (at least once a week) using analytics tools to analyze, monitor, predict or automate business processes and decisions.Autonomous Underwriting % — Autonomous underwriting decisions are life insurance underwriting decisions that are made without human intervention. Fully Digital Customer Transaction % — Digitized customer-facing transactions (e.g., customer orders, bills, payments) are fully digitized and orchestrated (e.g., not requiring any nondigitized tasks such as paper-based work, emails or similar nonautomated processes).Claims Automation % — Total claims straight-through processed and paperless/total claims raised (last 12 months).
Gartner Digital Execution Scorecard	The Digital Execution Scorecard (DES) provides objective feedback on progress by using digital key performance indicators (KPIs). It is not a maturity model. KPI values are compared to the metrics of industry peers to generate objective benchmark reports that show relative strengths and weaknesses in different areas of digital execution. This feedback enables CIOs and digital business leaders to set priorities on where to focus their time and resources.

Note 1: Complete List of 17 KPIs and Their Maximum Impact Scores

The impact of a KPI on operational excellence is the maximum improvement an organization can realize by improving its KPI performance from the bottom quartile to the top quartile (see Table 3). The impact score for each KPI is calculated using regression analysis. This means that if insurance CIOs and their business partners take action to improve on the underlying capabilities that are measured by each of the KPIs listed, they will have a significantly improved chance of improved operational performance. CIOs can determine what percentile they fall into by completing the DES. The DES provides detailed reporting that benchmarks an organization's performance against industry peers. The DES enables CIOs to set their level of ambition for each dimension of the assessment:

- Industry leader (target is better performance than at least 75% of your peers)

- Mainstream (better performance than at least 50% of your peers)

- Foundational (better performance than at least 25% of your peers)

The DES then provides details on each of the KPIs and whether they exceed or miss the performance ambition. CIOs can use this information to prioritize which KPIs and underlying capabilities require attention first.

Table 3: Complete List of 17 KPIs and Their Maximum Impact Scores
(Enlarged table in Appendix)

KPI Category	KPI Dimension and Maximum Improvement Potential
Establish a Digital Technology Foundation	**Ecosystems and API Platform** ■ Modern Integration Adoption 32% ■ API-Based Partners/Suppliers Integration 21% **Customer Platform** ■ Cross-Channel Customer Data Access 27% ■ Modern customer UI Adoption 15% **AI and Data Analytics Platform** ■ Data Lake(s) Adoption 22% ■ AI/ML Adoption 21% **Cloud and DevOps Toolchain** ■ Continuous Integration/Continuous Delivery Adoption 23% ■ Cloud-Native Architecture Adoption 20% ■ Cloud-Based Applications 17%
Optimize the Operating Model for Operational Excellence Success	**Culture** ■ IT Leaders Demonstrating Digital Leadership Culture 27% ■ IT Workforce Demonstrating Digital Culture 18% **Organization and Decision Rights** ■ Product-Centric Organization Adoption 22% ■ Cross-Functional Business-IT Teams 21% **Funding** ■ Funding — IT Run Spending Ratio 22% ■ Agile Financial Practices Adoption 20% **Ways of Working** ■ Agile Methods and Technical Practices Adoption 19% ■ Design Thinking Adoption 18%

Note: Percentages represent the maximum improvement an organization can realize by improving its KPI performance from the bottom quartile to the top quartile.

Source: Gartner

A word of caution. Simply selecting a set of metrics alone will not improve your digital capabilities. KPIs are a measure of progress and not an antidote to operational ineffectiveness. Moving from below the 25th percentile to above 75% on any KPI is a journey that will require building and executing on a roadmap of activities that will take time. Take, for example, IT run spending ratio improvement. This will require a variety of activities, including continuous application modernization and an ongoing culture of cost optimization. Examples of things CIOs would do to improve the IT run spending ratio include, but are not limited to:

- Identifying technical debt and discussing with IT and business stakeholders internally; actively managing all technology costs when prioritizing spending across project business cases and operating budgets.

- Sharing accountability for making cost and debt trade-offs by taking every opportunity to fully inform business stakeholders about life cycle risks and costs during budgeting and decision making.

- Prioritizing continuous modernization efforts by focusing on the friction points such as business capabilities with poor application support.

Note 2: Bottom and Top Quartile Values for KPIs for Insurance Organizations

Table 4 provides the 25th and 75th percentile values for KPIs that demonstrated a significant impact on operational excellence for 85 insurance organizations in the DES dataset. KPI scores below the 25th percentile indicate bottom quartile performance and above the 75th percentile indicate top quartile performance.

Table 4: 25th and 75th Percentile Values for KPIs

(Enlarged table in Appendix)

KPI	25th Percentile Value	75th Percentile Value
Ecosystems and API Platform — Modern Integration Adoption (%)	13.8	70
AI and Data Analytics Platform — Data Lakes(s) Adoption %	0	30
Funding — Agile Financial Practices Adoption (%)	.8	52.5
Organization and Decision Rights — Product-Centric Organization Adoption (%)	5	70
Culture — IT Leaders Demonstrating Digital Leadership Culture (%)	60	90
Customer Platform — Cross-Channel Customer Data Access (%)	5	65
Funding — IT Run Spending Ratio	55	70
Cloud and DevOps Toolchain — Continuous Integration/Continuous Delivery Adoption (%)	5	32.5
AI and Data Analytics Platform — AI/ML Adoption (%)	0	10
Ways of Working — Agile Methods and Technical Practices Adoption (%)	10	30
Ecosystems and API Platform — API-Based Partners/Suppliers Integration (%)	10	50
Culture — IT Workforce Demonstrating Digital Culture (%)	40	71
Organization and Decision Rights — Cross-Functional Business-IT Teams (%)	15	80
Cloud and DevOps Toolchain — Cloud-Native Architecture Adoption (%)	5	25
Ways of Working — Design Thinking Adoption (%)	20	69.5
Cloud and DevOps Toolchain — Cloud-Based Applications (%)	15	40
Customer Platform — Modern Customer UI Adoption (%)	27.5	93

Source: Gartner

Document Revision History

How Insurance CIOs Can Determine KPIs That Correlate to Digital Performance - 30 March 2022

Recommended by the Author

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2023 CIO and Technology Executive Agenda: An Insurance Perspective

Digital-Outcome-Driven Metrics for Insurance (2023)

3 New Customer Experience Requirements That Will Impact Digital Insurance in 2023

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Ways of Working	
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■ Design Thinking Adoption (%)	18%
n = 85 Insurance Organizations	

Source: Gartner

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Optimize the Operating Model for Operational Excellence Success	Culture

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- IT Workforce Demonstrating Digital Culture 18%

Organization and Decision Rights
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- Cross-Functional Business-IT Teams 21%

Funding
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Source: Gartner

Actionable, objective insight

Position your IT organization for success. Explore these additional complimentary resources and tools for CIOs:

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