

3 MAIN CHALLENGES

FACING INSURANCE BOARDS OF DIRECTORS,
AND THEIR DIGITAL SOLUTIONS



GOVENDA[®]
BOARD SUCCESS PLATFORM™

Benefits of the Digital Transformation in the Insurance Industry

Preparing for the next decade of growth post-pandemic, insurance company boards of directors are embracing the digital transformation to help them improve their compliance programs and make smarter and better decisions.

The industry is moving away from the traditional business models that focused solely on risk management and the number of products they could sell. Forward-looking C-Suites, boards, and companies across the insurance industry are working toward growth and innovation and trying to outmaneuver the competition that's doing the same.

Modern boards are taking the lead and updating their current governance structure with modern technology that will help them thrive long-term, up and down the insurance value chain. They appreciate that it's past time to jettison the legacy, hodgepodge of board management products and technology that are never quite right, no matter how many costly patches are added on.

There are several challenges that Boards of Directors of insurance companies face, especially if they're using the same technology they've been using for many years. As the industry begins a modern digital transformation, boards need to embrace the change to stay ahead.



Inefficient Processes

Challenge:

As one of the most regulated industries in the world, the insurance industry has always prioritized good governance. But as insurance boards' roles and responsibilities have evolved, their traditional processes haven't kept up. It's hard to stay compliant with risk management, transparency, and accountability, the foundations of good corporate governance.

Plus, 86% of insurers reported that their **main goals** are to bring products to market quickly and to adjust product characteristics as they improve it. This requires an agile board of directors that can make tactical decisions about product strategy and objectives.

Other important changes in the insurance industry include

- Traditional insurance companies need to compete with less-regulated tech-driven companies that are going after their share of the insurance market. And their modern products and services are faster, easier to use, and more convenient than those being offered by traditional insurance companies.
- Consumers are becoming more and more interested in diversity at the executive and board levels. While gender **equality has improved** in the insurance industry, it's lagging behind when it comes to racial diversity. Insurance company boards have stayed focused on their traditional responsibilities, including CEO succession, executive compensation, compliance, oversight, and risk mitigation. Many insurance companies are feeling the pressure from consumers to diversify their boards to be a better reflection of their policyholders.
- ESG issues are affecting boards and businesses across industries. Climate change has a huge impact on liabilities, with catastrophic weather-related events becoming more frequent. And, like the demand for increased diversity in the C-Suite and boardrooms, consumers are pressuring insurance companies to take an active role in the fight against climate change, through sustainable investing and operations.

Meeting the complicated and evolving challenges facing insurance companies and their boards require immense amounts of data and information. Boards need to be able to make smart decisions very quickly, and the processes and technology that worked in the past might be more of a hindrance than a help today.



Inefficient Processes

Solution:

Modern board portal software was designed for the way today's insurance boards (and board members) work. It keeps board members engaged by making it easy for them to access all the relevant board information they need, from any device. It facilitates communication between board members and helps them stay on top of the board business they're responsible for, so meetings can be more productive and well-informed decisions can be made.

Insurance company boards of directors include various committees—Audit, Investment, Oversight, HR, Management Resources, Risk & Capital, and more. Digitizing or modernizing your board meeting management processes means more organized, efficient, and productive committees, with more communication and collaboration between members.



Technological Debt

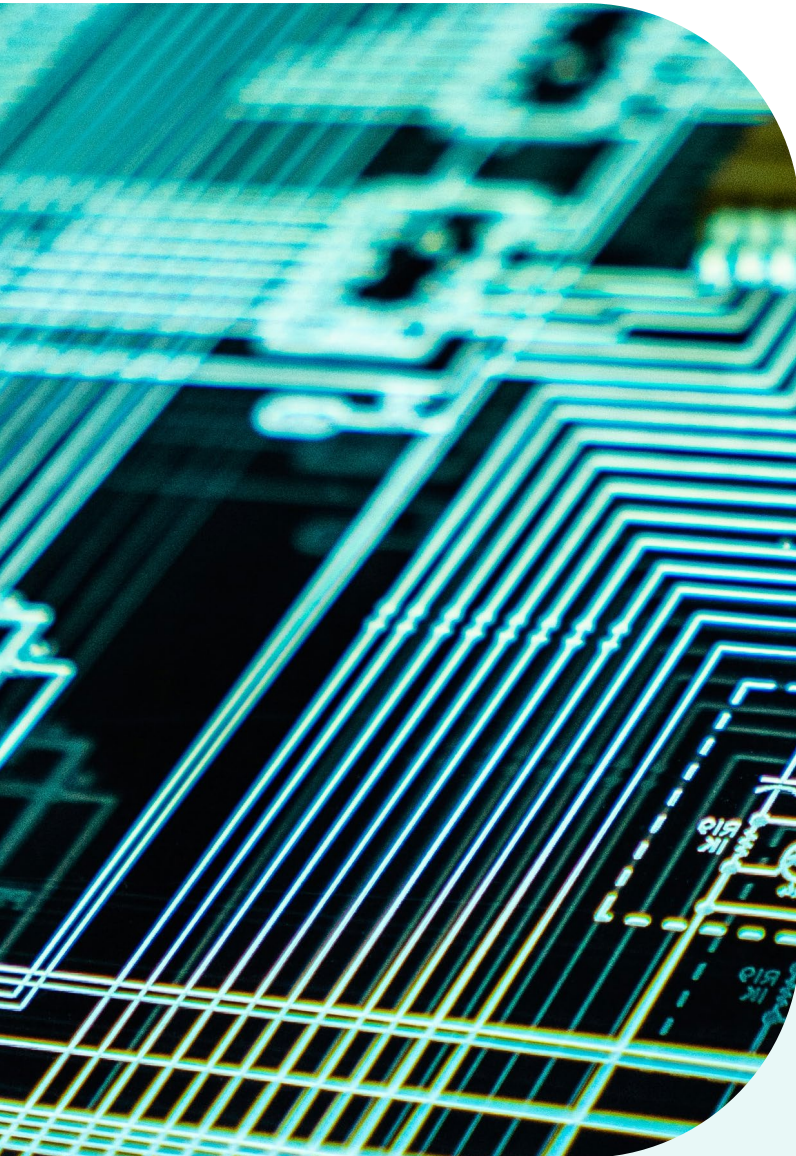
Challenge:

Many insurance boards are still using the legacy technology they adopted many years ago, complete with specific coding and outdated systems. They lack flexibility and represent a significant technology debt due to dated languages, databases, architectures, and a limited supply of programmers to keep it all working.

The insurance industry runs on technology, and when their tech debt becomes too steep, it can pose a substantial risk. The technology can't keep up with the way modern boards work, and costly, time-consuming maintenance and patches consume the vast majority of IT budgets. Plus, the legacy technology is inefficient and insecure.

Because the cost for updating their current technology can be high, insurance companies have been slow to make the change. Instead, they're patching their old systems and bolting on new products to make the technology work the way they need it to. They're spending money propping up systems that will never be exactly what they need. It's time to start investing in innovative technology—including open API and low-code systems—that was built for the challenges modern insurance boards face.

Insurance boards need technology with a future-proof architecture, now. Ignoring the ongoing problem of their technology debt will only compound the issues. The fact is that insurance companies won't survive without updating their technology. As the industry continues to change at lightning speed, it's going to become impossible for legacy software to keep up.



Technological Debt

Solution:

Strategic decisions happen in the boardroom. It's time to phase out legacy systems to make room for a no-code platform that requires minimal staff maintenance. Digitizing operations means a more efficient and productive insurance board that keeps getting better. It's cost effective, simplifies processes around committees, becomes the system of record for the company, and minimizes risk. A modern board portal facilitates compliance, transparency, and good corporate governance. Insurance company boards of directors can't afford *not* to digitize.



Cybersecurity

Challenge:

Insurance companies have always been **prime targets** for **sophisticated cyber criminals** for several reasons, including inadequate cybersecurity protocols and the massive amounts of personal, health, financial, and identity information that they stockpile. In addition to the risk of hackers acquiring consumers' sensitive data, cyber-attacks also put insurance companies' intellectual property and confidential business information at risk.

Boards must make cybersecurity a priority.

Recent high-profile cyber attacks at insurance providers including **CNA Financial**, **AON**, and **GEICO**, have increased the urgency of tightened cybersecurity.

As corporate fiduciaries, insurance company boards of directors are responsible for overseeing management strategy, as well as for their identification and planned response to enterprise-wide risks.

The leading organization for corporate directors in the U.S.—the National Association of Corporate Directors (NACD)—working in association with AIG and the Internet Security Alliance, **outlined five key principles** to enhance board oversight of cyber-risk:

- 1.** Directors need to understand and approach cybersecurity as a strategic, enterprise risk, not just an IT risk.
- 2.** Directors should understand the legal implications of cyber risks as they relate to their company's specific circumstances.
- 3.** Boards should have adequate access to cybersecurity expertise, and discussions about cyber-risk management should be given regular and adequate time on board meeting agendas.
- 4.** Directors should set the expectation that management will establish an enterprise-wide, cyber-risk management framework with adequate staffing and budget.
- 5.** Board-management discussions about cyber risk should include identification and quantification of financial exposure to cyber risks and which risks to accept, mitigate, or transfer, such as through insurance, as well as specific plans associated with each approach.

And just as insurance companies need to protect their customers' sensitive information, unsecured board documents and board members who don't prioritize cybersecurity are a liability for insurance boards.

Cybersecurity

Solution:

A digital transformation that includes modern board management software can help **keep your board information safe** from cyberattack. The software should include industry-standard security protocols, like SOC 2 and HIPAA compliance, as well as remote wipe, 2FA, and other security features. A *permanent purge* feature is especially important for insurance boards. It ensures that deleted notes, annotations, documents, and other sensitive information is permanently deleted, so it can't be retrieved from external servers, from within the software, or through any other method.

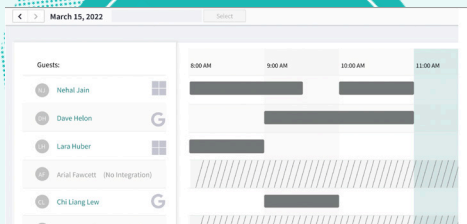
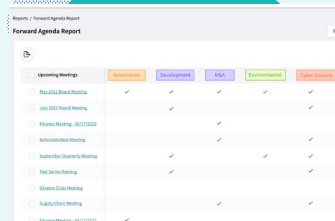
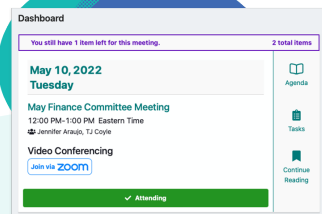


After the Digital Transformation

Making the decision to upgrade your current governance structure with modern board management software will help set your insurance board of directors up to deliver good corporate governance. It's an easy switch that will have immediate impact in your board's productivity, efficiency, and security.



Govenda is the Board Success Platform™



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