INTELLIGENCE

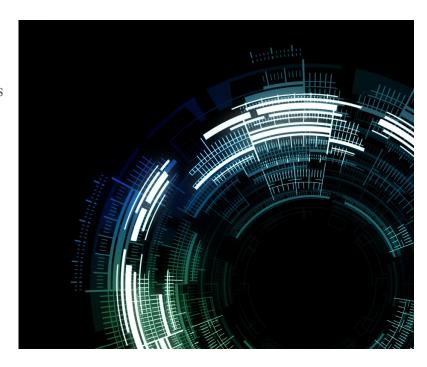# Eight Digital Proficiencies Your Pool Must Master

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2022 Digital Transformation Resident

Nearly every process and system in risk pooling—just like in life—is now driven by a combination of technology and humanity working together to achieve better results. This dynamic will resonate through our future in ways that are impossible to imagine today.

It also means, as a pool leader, you will be guiding people, technology and the blend of the two.

People often describe this as "digital transformation," but another term I use is "humalogy."* That's because this change isn't simply about organizations like pools acquiring or using more technology. Instead, it's the **ongoing, world-changing integration of technology into every aspect of daily life**—in other words, the inseparability of technology and humanity.

Think of it as a quickly evolving recipe of ingredients blended together to complete all pool processes: underwriting and claims, accounting, HR and so forth.

* Humalogy is a registered trademark of Future Point of View.

PROFICIENCY 1 EXAMPLE

Technology upgrades are happening more frequently than they used to, so pool staff must learn and adjust to new systems quickly and more often over the course of their careers.

Employees who find their workflows easily disrupted by changes in processes and systems, who are unable to adapt to those changes, or who are unwilling to train in response may be less successful.

Because of the importance of individual curiosity for fully understanding and using the capabilities of your digital systems, your pool adds interview questions for new hires and performance evaluation criteria for existing staff.

In addition to testing other functional competencies, you ask questions about adaptability and learning styles. You also have deadline-driven performance measures for learning new systems and upgrades.

Lastly, you reward early adopters of new technology, acknowledging these staff members as part of the performance review process and praising them in front of their peers.

This recipe is not as simple as the cookie recipes handed down over generations on index cards—it has rapidly changing instructions, and it sometimes includes ingredients you've never used before and don't know where to find.

Because of the digital transformation all organizations (including yours) are now experiencing, today's pooling leaders must be prepared to adapt. Pool leaders, whether current or future, will make many decisions to maximize important and transformative humalogy opportunities. In short, pool leadership today presents very different challenges than when risk pools were first formed decades ago.

DIGITAL PROFICIENCIES

The problem with concepts like humalogy or digital transformation is their big, sweeping nature. It's hard to form a coherent strategy to address these ideas and emerging needs. For this reason, I've dissected digital transformation into eight discrete (in some cases sequential) digital proficiencies appropriate for pooling.

1. Individual Digital Competencies
2. Commitment to Digital Governance
3. Robust Cybersecurity Policies and Practices
4. A Documented, Modernized Enterprise Architecture
5. Activated Data
6. Enhanced Member Digital Experiences
7. Increased Task Automation Within Business Processes
8. Integrated Machine Intelligence

I use the word "proficiency" very intentionally here. Your pool's goal should be mastery of these concepts, not just understanding. If you're only starting to appreciate or grow in these proficiencies, that's a perfectly acceptable place to begin. But, wherever you are lacking, note it and begin building necessary knowledge and skills within your pool.

1. Individual Digital Competencies

When a pool team lacks needed digital skills and competencies, the impact is twofold. First, there can be underutilization of what is already owned. Based on my work with pools and other organizations, I estimate up to 60 percent of the capability of systems is wasted because users simply do not know how to fully use the tools. Second, without individual-level digital competency, there can be reduced ability to understand and successfully implement new digital systems.

In today's environment, digital competencies are a necessary expectation upon hire. (Be sure to double-check your job descriptions for minimum digital competencies!) They are also a reasonable ongoing training requirement.

Upskilling the digital competencies of your pool staff provides direct, positive impact. Consider your newest pool employees. My experience is that it takes six

months on average for a new team member to learn about their organization's existing digital resources (e.g., the network, software applications, data stores, security systems). Upgrading new employee onboarding to include this information is relatively easy and makes a massive difference in how quickly new staff can begin adding direct value to the pool.

Another upskill opportunity is ensuring all staff understand efficient use of existing software tools and applications. There is often free or low-cost training available for common office software and pool-specific systems like claims or policy management. Make this kind of training mandatory for all staff to quickly close competency gaps for those tools you already own.

Keep in mind: The side of humalogy needing the most attention is the human side because, at the moment, we have better data tools than abilities to use them.

2. Commitment to Digital Governance

The web of digital systems and interfaces within a pool's environment (including third-party systems) is broad and complex. Digital governance—i.e., governing a pool's digital environment through policies and procedures—is necessary to efficiently manage your operations, protect data resources and deliver the best possible service to members.

Examples of baseline policies and procedures for digital governance include those that address (a) data collection, storage and management, (b) cyber and data security, and (c) acceptable use of pool hardware and systems. Best practices for digital governance within a pool also include standards for documenting enterprise architecture—existing and goal-state—and managing business application configuration details, use guidelines and change requests.

If your pool has a robust set of systems and technology goals implemented across many departments and users, you may also have a technology steering committee, prioritization committee, or another governance method for resource input and oversight.

Digital governance is important no matter a pool's size, number of systems or number of employees. For a smaller pool, digital governance efforts like those described here help ensure the most bang for the buck out of every technology investment. In a larger pool, effectively governing a multitude of systems will help mitigate risks of overlapping efforts or an important decision slipping by unnoticed.

Now is the time to be proactive and self-determine your pool's digital governance strategy. Digital governance is gaining traction within the realm of public sector data management, which means larger public entities that belong to your pool may begin to ask about your internal practices. Financial and insurance regulators in the U.S. are also increasingly studying and demanding new forms of digital governance oversight. (Outside the U.S., data governance is already more regulated.)

At the moment, we possess better data tools than abilities to use them.

Digital Governance

Governing a pool's digital environment through policies and procedures

PROFICIENCY 2 EXAMPLE

Early in the pandemic, many pools quickly converted to remote work. While this transition was necessary, it often weakened digital security as teams connected to pool systems through home networks and using personal equipment.

Some pools responded well to this shift. For instance, one I know was quick to assemble a written policy all employees signed that stated the new digital rules for remote work.

Putting this policy in place on an emergency basis was good. However, it would have been better for the pool to have already established baseline digital governance practices (including specified levels of router security and use of personal devices) that could have been simply updated for remote work.

Who's accountable for cybersecurity policies or practices at your pool?

3. Robust Cybersecurity Policies and Practices

Digital crime is becoming more profitable and therefore more dangerous. Cybercriminals have resources and motivation to progressively expand their skills. And, even if your pool isn't the direct target of a cybercrime, cloud application providers and other third parties you depend on increase your overall risk profile.

The consequences of any cyber breach or crime can be devastating. Pools must put the appropriate energy and resources into cybersecurity best practices and incident response to avoid and mitigate these risks. If you can't name the person at your pool who is accountable for managing and maintaining your cybersecurity policies and practices, stop reading immediately and turn your attention to doing so. This may be the most pressing business risk for your pool right now.

4. A Documented, Modernized Enterprise Architecture

The term enterprise architecture is used to describe the entirety of an organization's core digital systems and infrastructure—your pool's network, software applications, data stores, security systems, etc. Every organization has this infrastructure, but not every organization has a well-designed architecture that integrates all the parts and pieces into a functioning whole.

The first step toward proficiency here is to fully capture and document your enterprise architecture. When you do, you might find a "Frankensystem" of technology pieces and parts. Unfortunately, this is common. The only way to fix it is to start identifying the components, documenting them, and making incremental improvements to overcome points of friction or disconnect.

This is an important first step, but it won't be enough in today's evolving, fast-paced digital environment. You have to modernize your enterprise architecture by layering onto it your digital governance policies and practices. Also, be looking for ways your enterprise architecture can be boosted through automation.

Here's an important tip: You can't build an effective and modern enterprise architecture using purely IT resources or vendors. Modern enterprise architecture must be designed and built with heavy participation from the team members who will actually be using the technologies and their underlying infrastructure.

Enterprise Architecture

The entirety of an organization's core digital systems and infrastructure (network, software applications, data stores, security systems, etc.)

Modern enterprise architecture must be built with participation from those who will actually use it.

PROFICIENCY 4 EXAMPLE

Your pool's claims manager saw a software app at a trade show that uses an AI for predictive claims analytics. Your pool has a strategic goal of increasing its use of data to streamline the claims process for members and improve its own operational efficiencies. So, after a series of meetings with the vendor, you decide to pilot the application using a subset of pool claims.

Months later, the pilot project is struggling and the claims manager (along with almost everyone else) is frustrated. Upper management believes the vendor sold them snake oil. The technology vendor says your pool's data is simply poor quality.

Your pool dedicates focused attention to get this pilot effort back on track. You convene a team including people from claims, underwriting and IT and discover several underlying problems.

- Data migration in and out of the new application happens from three other legacy systems, none of which is fully mapped.

- There is no plan for training the AI about your pool's unique business processes, many of which are undocumented.

- The underwriting department holds a key data element that will be useful in the AI process for claims. But, in a recent underwriting system upgrade, there wasn't a field to capture that data point. Underwriting and IT created a workaround that has never been integrated into any pool-wide system.

- The set of claims used for the pilot project are not as ripe for automation as another claims set that is being managed in a high-touch, high-resource manner. Even if implementation of the software were wildly successful, the return on investment would be minimal at best.

Your pool begins remediation efforts by documenting the overall architecture of systems and business processes that come into play for this effort, including the noted problem areas. It prioritizes the problems and begins addressing them one by one. It takes time, but these efforts make all the difference in the project. Your pool produces useful results out of its pilot initiative, learning specifically where it can (and cannot) derive value from an AI implementation.

PROFICIENCY 5 EXAMPLE

You decide to activate your workers' compensation program data to support your staff and governing body.

First, you link data from several systems (claims and policy information, third-party data from the state, employee data from your member entities, social media feeds, etc.). You build and maintain a data lake categorized by metadata with clear data definitions and parameters for data input.

Next, you train key staff in each department to understand core business analytic systems and form them into a business intelligence team. You support them with data visualization tools and a business analyst who reports to your deputy director.

5. Activated Data

Likely all pool leaders would agree that data is a key component in good decision-making. Disparate data points, however, are of limited use and might actually do more harm than good if users make incorrect assumptions about causal relationships or impacts.

What we want is "activated data"—i.e., the use of full and robust data that is curated and cultivated specifically for each decision. To achieve activated data, pools must understand (and eventually implement) five key concepts:

1. **Data harvesting** is pulling data from many different sources in order to create a much larger base of raw material (e.g., 15 additional fields of member data that can be used to evaluate the strength of relationships). The "big data" concept is popular for good reason—more data is better.

2. **Data structures** are important for business intelligence and data security. Data must live somewhere and be accessible where and how it's needed. The wrong data structure can be detrimental if not fatal for data activation.

3. **Data alchemy** is the process of creating analytic insights from individual data points to provide new value. In the old days, alchemy was converting lead to gold; today, it is looking at a pile of raw data and finding game-changing insights. This is often accomplished through the work of a data-savvy team member with the curiosity and digital competencies to analyze information in new ways.

4. **Data storytelling** is supporting data insights with visual analytics so people can very quickly understand data findings. Data that takes too long to understand (or an unclear visualization of data) is not valuable.

5. **Augmented intelligence** is the process of automating data delivery to inform decisions. Ideally, augmented intelligence would be available and configurable by users, not just business analytics or IT staff.

Finally, the business intelligence team develops a series of dashboards. There's a unique performance dashboard customized for each major operating unit of the pool, one for the pool's excess insurer, one designed for members, and a quarterly dashboard provided to the governing body.

After a few months, you notice more questions are being asked all around.

- The risk management team wants to know about additional data that can support their work with members. They suggest four more metrics to be added.

- Two member entities ask for data about how their claims compare to similarly sized members of your pool. An agent representing several of your largest members requests a consolidated dashboard.

- At a governing body meeting, one of your newer governing body members asks about how your excess insurer would weigh decreasing severity of claims in the last three years.
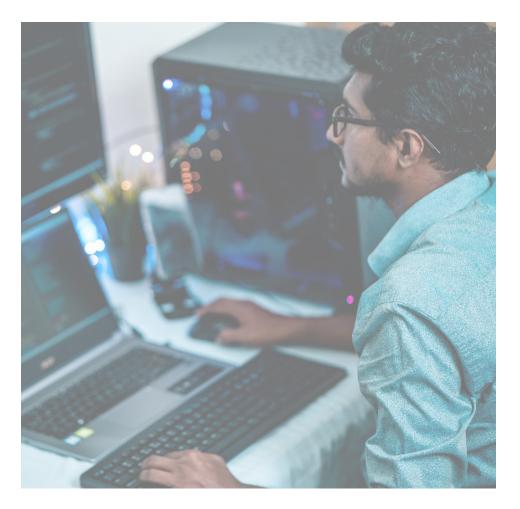
These questions are music to your ears. You clearly have activated your data in such a way that every recipient is making deep inquiry into underlying trends and issues impacting your pool.

There's no singular action item that activates data—it is a recipe of steps that, taken in combination, makes a world of difference. For example, you might require staff members to take online courses (free or paid) to learn more about the data tools you already own. Then, you might offer incentives for team members to design valuable data visualizations and analytics that provide information not currently available.

6. Enhanced Member Digital Experiences

Pools pride themselves on the strength and depth of their member relationships. That said, the people that interact with a pool today are accustomed to using e-commerce systems, digital customer support and many other self-serve online capabilities in their own daily lives (the "Amazon Effect"). This drives a high expectation of pools having these same self-serve capabilities—especially among younger generations, who often judge a service provider based on digital convenience.

Even if face-to-face contact and transactions remain most (or at least very) important, there will be an increasing number of digital contact points between pools and their members. Pools therefore require a deep level of knowledge to design and implement effective user interfaces and user experiences. Having outsourced contractors to provide this insight in the short term is okay, but many pools will need to invest directly in these areas of expertise over the longer term.

The "Amazon Effect"

Baseline user expectations that service providers will offer convenient, self-serve digital capabilities for commerce, support, transactions, etc.

PROFICIENCY 6 EXAMPLE

Your pool has a 32-year-old member contact who is very comfortable using mobile apps and self-service. This person is new to their local public entity and is told your pool provides services they will need to use regularly.

The contact's first stop is to your website to learn about your pool and how they can engage your resources in their public entity's daily work. This contact will judge you within two minutes of perusing your website.

Given the Amazon Effect, what do you think this person's opinion of your pool will be?

Even if face-to-face contact remains most important, there will be increasing digital contact points.

Automation can repurpose staff focus in ways that make use of knowledge and abilities no bot could implement.

7. Increased Task Automation Within Business Processes

The pandemic and remote work dynamics have shown us it is possible to automate processes and reduce inefficiencies. Automation has ramped up as new tools have become available and scalable (both up and down).

Based on digital maturity assessments performed across many organizations (including but not limited to pools), I estimate most risk pools could automate 40 percent of their business processes in place today. For example, underwriting is ripe with automation opportunities; the tools exist for automation, as does the talent to configure automation bots.

But the conversation is understandably sensitive. Increasing automation may mean trading the skillsets of existing personnel resources for other skills and abilities.
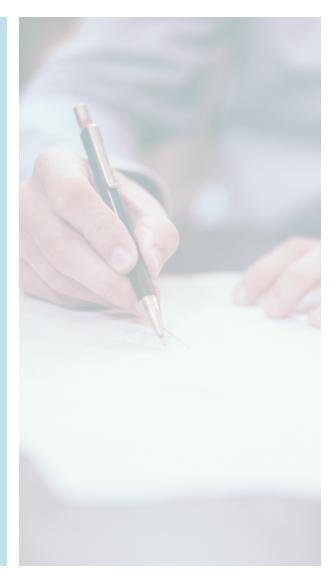
Increased automation is a digital proficiency for pools not because it can reduce staff count but rather because it can repurpose staff focus in ways that make use of inherent knowledge and abilities no bot could implement. In other words, you can automate routine and repeated tasks to free up your pool's talented staff for higher-value work.

PROFICIENCY 7 EXAMPLE

Despite the changes brought by the pandemic, many pool business processes still require in-person sign-offs, filling out documents by hand, or printing out pages. Automating these processes can free up time and effort better spent elsewhere. For example:

- Online benefits enrollment is becoming common, as are self-service systems for subscribers wishing to make benefits changes. Using automation, these sorts of enrollment activities can also trigger and produce important subscriber notices, requests for missing data, information sharing about appropriate webinars or online learning, and reporting at multiple levels within the pool.

- Automating analytics that absorb new claims data and push observations and alerts to departments allows multiple users to benefit from early insight on claims trends. Work can be further automated to push important information about related pool services (webinars, grants, etc.) to the member making the claim.

- Many accounts payable tasks can be automated, such as entering data from the vendor, gaining needed financial approvals, and making the payment through a transfer of funds.

In some of these cases, automation involves implementing a completely new process that is cloud-based. In others, robotic process automation can be used to automatically move data from one system to another, saving the need to manually reenter data—for instance, providing claims data to the loss control department in order to identify needed training efforts.

8. Integrated Machine Intelligence

Software and hardware systems are growing in their capabilities to provide not just automation but *intelligent* automation for tasks currently done manually. It may be difficult to believe, but it's true: Integrated machine intelligence systems can make many of the same kinds of decisions that people make today.

A prime example relative to pooling risks is rear-end collision sensors that automatically apply the brakes of a moving vehicle about to back into something. Not only could a pool fund such intelligent automation with the benefit of decreasing loss costs for members, but it could also provide its members with ongoing reports of the sensors being triggered and any "near misses." Such data would suggest a public entity should do additional driver safety training.

The tools that exist for AI, machine learning, decision support systems, smart devices and sensors are further along than our ability to apply them. The complexities make it difficult to keep up with new technology and therefore challenging for pools to strategize their usage.

That being said, pools have a tremendous opportunity to allow systems to make decisions on their own. AI systems can watch over streams of real-time data and take actions that humans rarely can based on our inability to monitor huge amounts of live and flowing information.

To build this digital proficiency within your pool, you'll want to integrate machine intelligence tools, skills and capabilities. You might not need this skillset within your staff model just yet, but it's a good idea to begin identifying potential projects ready for machine intelligence systems as well as possible resources for implementation. You want to identify resources early so you can be ready when the timing and opportunity is right.

PROFICIENCY 8 EXAMPLE

Your pool decides to automate adjudication of certain property and auto physical damage claims using machine intelligence systems.

It decides to build algorithms that reflect how it has historically adjudicated this body of claims.

After initial implementation, it takes three years of tweaking the logic to adjudicate claims in a satisfactory manner.

Over this same period, the technology that is underlying in the algorithm also improves, further increasing the percentage of claims that can run straight through the system to be paid without human attention.

Although the initial financial investment is notable and no immediate staffing shifts are possible, within four years your pool transitions a portion of its claims staff to focus more on risk management efforts and member relationships (and less on tracking decisions in the claims system).

Pools have the opportunity to allow systems to make real-time decisions on their own.

These digital proficiencies for pool transformation will need your dedicated focus over the next five years. If you're proficient in all eight areas, you'll be a digitally mature pool able to function at the highest possible level on behalf of members. Failure to achieve any of these proficiencies will create a weakness in your ability to perform at needed and expected levels.

The question is not *whether* your pool should try to achieve these goals as part of its digital transformation. Rather, the question is *how fast* you need to become fully proficient and what other work can be deprioritized in order to make it happen.

Digital transformation presents a tremendous opportunity to have a powerful impact on your pool that will resonate well beyond the tenure of today's pool executives and governing bodies. Perhaps you'll integrate technology heavily into your pool's operation and culture. Perhaps you'll build the systems, processes and team talent that launches new products and services for members. Whatever the opportunity, you should feel confident and excited about this prospect. What you do now will become your pool's legacy—matching the impact of those who started your pool in the first place.

Digital Transformation Residency

We'll be providing pools a helping hand through the 2022 Digital Transformation Residency. By the end of the year, there will be a library of resources at your disposal. There will also be many practical opportunities to engage in real time to learn how to be a digital leader who really can make the impact your team members and governing body will be thankful for.

- Hear a keynote address on these proficiencies at Governance Conference (March 6–9) in New Orleans.

- Engage in hands-on work to create a pool digital strategy roadmap at CEO Institute (Aug. 7–10) in Anchorage.

- Gain insight about digital transformation leadership and team competencies at Fall Forum (Oct. 2–4) in San Diego.

- Attend **Office Hours video conversations** throughout the year. Explore with pooling peers the changes you anticipate and experience as digital influences transform your pool's operations, member relationships and environment. Overviews preceding open conversation will be recorded. Dates are below (all 2 to 3 p.m. ET). Contact AGRiP for Zoom login credentials.

→ Defining Digital Transformation (Jan. 21)

→ Digital Transformation Risks and Opportunities (Feb. 18)

→ What a Digital Roadmap Is and Why It Is Important (April 22)

→ Lessons from Pool Digital Roadmapping (Sept. 9)

→ The Transformation Skills and Competencies No Pool Should Be Without (Dec. 9)

About the Author

SCOTT KLOSOSKY is AGRiP's 2022 Digital Transformation Resident. In this role, he helps pools advance their learning in and capabilities for digital strategy and leadership. In addition to 15 years of consulting work through Future Point of View, Scott is the founder of numerous successful technology startup companies. He describes himself as a "hybrid of a technologist and humanist who strives to find a hopeful future in blending the two."