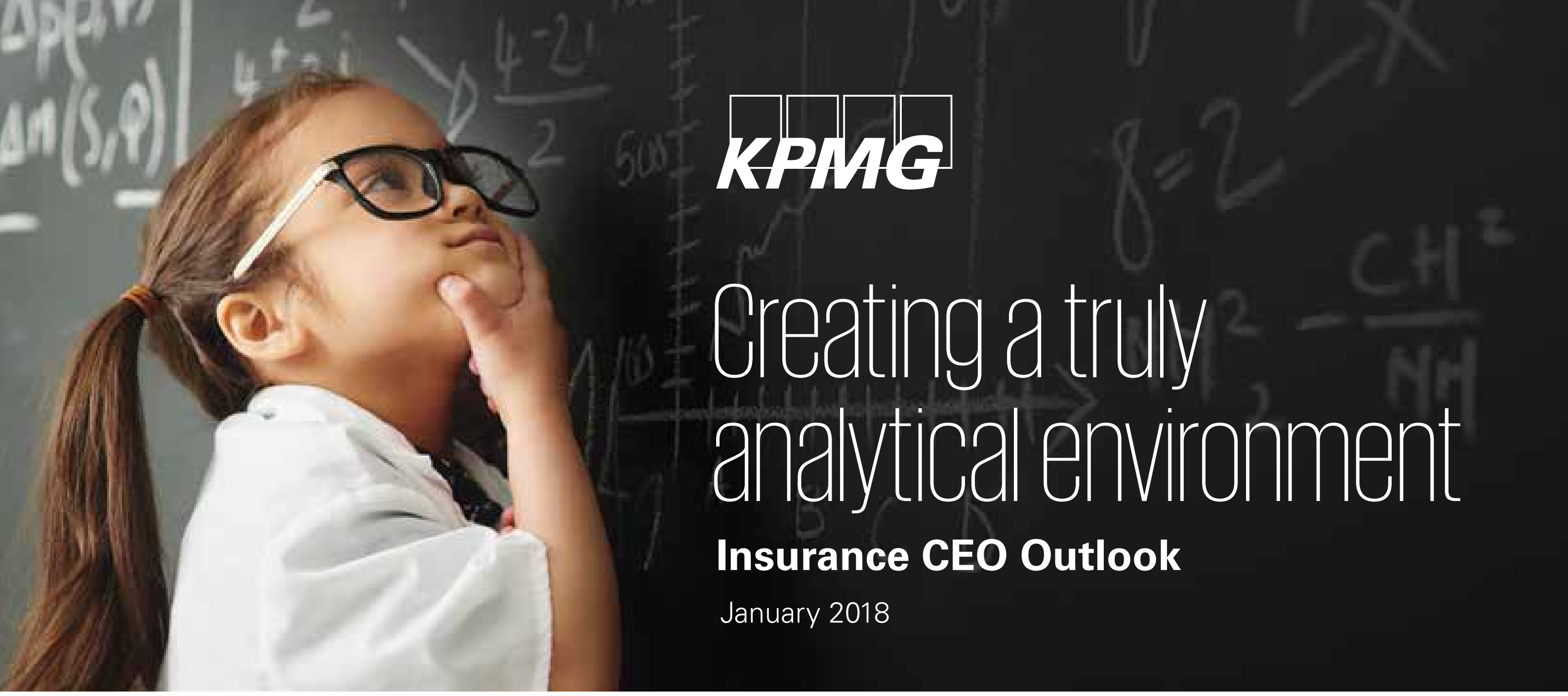

# Creating a truly analytical environment

## Insurance CEO Outlook

January 2018

Analytics is the key to business agility; it can help insurers reduce costs, automate processes, remove waste and enhance decision-making, all of which lead to greater business agility and flexibility.

Insurance CEOs are well aware of this fact. Indeed, in a recent global survey of insurance CEOs by KPMG International, respondents reported that their top strategic priority over the next 3 years is to become more 'data-driven'. Almost nine in 10 say they have put new investment into data and analytics (D&A) over the past year, nearly 30 percent say their investment has been 'significant'.

> **"43 percent of CEOs surveyed expressed concern that the lack of quality data is hindering depth of insight."**

### Taking strong first steps

To be sure, many insurers have made strong progress in applying analytics to their business. Over the past few years, we have seen almost every insurer start to gain strong capabilities in areas such as propensity modeling, claims analytics, clustering and customer analytics. They have improved their use of analytical models across the front, middle and back office, and they have poured resources into improving their data management and analytical capabilities.

Yet our experience suggests that, even though many insurance CEOs think they might be ready to move onto more advanced analytics approaches, such as artificial intelligence, cognitive computing and machine learning, most seem to be struggling to step up their game. Few, if any, have achieved the level of analytical sophistication required to rival some of their newer, more agile competitors. Furthermore, 43 percent of CEOs surveyed expressed concern that the lack of quality data is hindering depth of insight.

### Analyzing the competition

The reality is that insurtech companies have based their business models and customer propositions on analytics. They understand the value of creating a 'single view of the customer' and they use that analysis and data to automate their entire value chain — from client onboarding and risk assessment through to claims and settlement. In doing so, they are aiming to not only improve the overall customer experience, but also to reduce their process time and improve their cost to serve.

For now, the traditional insurance sector still has the upper hand. Traditional insurers boast deeper relationships with their customers and have much more customer data to draw from, that means they can develop more valuable insights and deliver a much broader range of services across the value chain. But they will need to move quickly and with purpose if they hope to retain that advantage.

There are many reasons why traditional insurers may be struggling. Most are still trying to deal with their legacy IT environment which, having often been stitched together through a series of mergers and acquisitions, have become cumbersome when compared to their nimbler competitors. Their data is often locked up in incongruous silos, making it difficult to gain an integrated and consistent view of their customers across various products. Some are worried that too much analytics-driven automation may disrupt their historically strong customer relationships.

Ultimately, we believe that if traditional insurers want to truly compete and win in this new data-driven environment, they will need to move faster, with more purpose and confidence towards more sophisticated forms of analytics. Given the pace of change in today's insurance marketplace, there seems to be little time to waste.

## Creating the right environment

While insurers may face many challenges and risks with stepping up their analytics, they know that it is absolutely necessary. We believe there are four key areas where traditional insurers can focus to eventually outperform their competitors.

### Simplify and sharpen analytics operating models and governance

Rather than treating analytics as a special initiative or project which runs the risk of low accountability by any one group, a more effective approach is to embed the governance of data and analytics into your 'business as usual' programs and approach.

### Master the data

While many insurers have undertaken a range of initiatives aimed at managing their data, often in data lakes or warehouses, few have truly achieved an integrated view of their data in a way that allows them to confidently pull the right data and make trustworthy decisions. Rather than continuing to struggle with enterprise data projects, insurers should consider leveraging Application Program Interfaces (APIs) and new generation big data tools that can access and integrate the relevant data from the appropriate systems to rapidly deliver an integrated data ecosystem.

### Focus on practical use cases

Knowing exactly what you are trying to achieve with your analytics and how you plan to achieve it will help save you from pouring lots of money and time into technologies, capabilities and initiatives that provide little future value. One of the most efficient routes is to identify, scope, test and trial practical use cases that can deliver scalable and sustainable enterprise value.

### Think and act holistically

Analytics should be a part of the day-to-day business operations – so that practices, capabilities and value can be shared and leveraged across the enterprise. From governance and strategy through to talent and technology, insurance leaders will need to take an integrated and holistic view on analytics.

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