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Data is our business

The digital revolution marches on, changing the way millions live their lives and challenging business to rethink products, services, processes and relationships. But, as Lee Brooke-Pearce reminds us in this month's guest article, the most fundamental effect of technology on the insurance industry is the growing volume – and value – of data.

Technology is still about efficiency and performance. No business can survive without reliable systems that deliver services and connect with customers and partners. However, the data these systems consume and produce is the fuel of business differentiation, competitiveness and growth. It is by managing data, understanding it and acting on its analysis that companies can innovate. The cliché is there is no more low-hanging fruit. You need lots of good data so you can grow your own.

Data is the door to the future. As Brooke-Pearce explains, digital tools can help business leaders decide on the roles they want to play in the industry. Data can tell us where we should be doing business and with whom. Those who muster and master their data effectively will be in charge of their destiny. Those who fail to put data at the centre of their strategic efforts will be locked out of new opportunities and forced to operate in the least productive parts of the landscape.

We are lucky to live in a time of incredible technological advance. IT is a mature discipline with its values firmly invested in business improvement. By marshalling our data assets, we can build an even brighter future.

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Digital through and through

Digital tools will help insurers capture and act on customer insights



Lee Brooke-Pearce, insurance digital transformation team leader
Capgemini Consulting

Digitisation is not just about customer acquisition and service. It is also about leveraging the power of data and transforming internal processes, which are ultimately the engines that drive organisational performance.

Making the most of data

In 2009, more digital information was produced than all information since the beginning of time. Insurers are in the business of gathering and analysing data to appraise risk. So how are insurers positioning themselves to embrace and exploit all the “new” data that exists to make better decisions about what customers need and about how risky those needs are to insure?

Market research indicates the gap is widening between those who have historically invested in analytical sophistication and achieved competitive advantage and those who have not. Over and above the more practical collection of insurance risk data, the study says “strategic risks, rather than financial risks, were responsible for 68% of severe market capitalisation declines between 1998 and 2009”. So an insurer suddenly requires multiple layers of practical data management – not just insurance risk, such as actuarial, underwriting and pricing, but also financial, operational, strategic, human resources (HR) and customer risk. That is a lot of data to gather, analyse and exploit while still excelling at your core insurance business.

Transforming processes

Although transforming customer experiences would appear to be the most visible – and arguably the most exciting – aspect of digitisation, firms are also realising very strong benefits from transforming internal processes (and knowing how and when to run present and new processes in parallel). A global insurer has created a central digital platform for core claims processes and deployed the model across several countries. Employee



Insurers of the future will be able to tailor service and products to customers based on data

The most successful insurers will be those that are able to capture, analyse and act on insights with speed and precision. Insurers will need to compete and differentiate through a rich customer experience across the entire value chain, from research through to renewal

self-service systems in areas like HR are also becoming widespread.

But there is more to this than just automation. Automation should enable companies to refocus their people on more strategic tasks. Ask yourself how much of a product underwriter's daily time is spent either manually underwriting or manually designing (via complex internal product design and configuration processes) new products or just simple product extensions. Now ask yourself how much time you would prefer they invest in real research and development, innovation and creativity and seeking out new pools of profit.

Breaking down the silos between the various functional areas and putting product development at the heart of the business starts to make an insurer more like a fast-moving consumer goods or pharmaceutical company. Innovation “labs” are the heart and soul of innovative businesses – why not insurers?

The company of the future

The customer-focused insurance company of the future will have operations, services and product bundles that target specific customer segments based on specific

profiles, purchase patterns and lifestyles. Customers will receive products, services and communications tailored to be relevant and valuable to them.

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Increasing partnerships along the value chain

Although today's insurance market is mostly populated by “traditionalists” that try to manage both supply and demand, the role of specialists focused on parts of the value chain is growing. This group includes aggregators, underwriting specialists, claims-management agencies and brokers. By 2017, specialists will become dominant in the market and will excel at delivering value either in customer relationships (such as Google and Confused.com) or risk management (like AIG and Munich Re). To increase efficiency and enhance strategic focus, full-service insurance companies will choose what parts of the value chain they want to specialise in, and outsource other parts to partners.

This will not be possible without the help of digital tools that can provide critical links between different systems across partnering organisations and make available the most up-to-date information to keep all the stakeholders informed.

Getting to the future faster

Digitisation has a key part to play in transforming businesses, but few insurers have been able to move beyond implementing simple tools such as social media or mobile applications. With a rapidly changing regulatory, economic and consumer environment, the most successful insurance companies will not only leverage digital tools to enhance processes, but also actively adopt a customer-centric strategy and foster a culture of learning and change. ■

A longer version of this article is available at <http://www.capgemini-consulting.com/ebook/How-Digital-are-You/index.html>