Insurance Analytics

Time to get more satisfaction?

Over the last few years insurance tech companies have been using data analytics to overtake traditional insurers and offer cost-effective, tailored products to consumers. Now is the time for traditional insurers to recognise data analytics as a core capability and make the required investment to defend future market share.

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A little less conversation, a lot more action—tactics to get satisfaction from data analytics' argues that incumbents should be concerned about these investments, as they provide competing start-ups with the freedom and agility to explore, innovate and exploit new routes at an alarming pace without incurring the high operating costs that incumbents have. In recent years, much noise has been made about the value of data analytics in enhancing risk assessment in underwriting, reducing the cost of claims, identifying new sources of profitability and improving the customer experience. Yet, Deloitte research shows that the vast majority of insurers struggle to articulate the return on investments made in analytics capabilities while the slow, linear increase in investment in non-technology related analytics is in stark contrast with the boost being received by insurance start-ups from investors.

**Vision and strategy**

Insurers often fail to recognise the true potential of analytics due to the assumption that successful analytics is an IT-driven process, gathering data from source systems into an analytics solution. This mind-set can lead to a disconnect between the decision making process, business value and analytical insight. An analytics vision needs to support the overarching business strategy, embedding insight into the underlying drivers which move an insurer towards its goals. Moreover, it needs to help an organisation find areas in which to gain competitive advantage or innovate services.

Many analytics strategies have grown organically over time and have been developed in a piecemeal fashion. A concerted effort, driven by senior leadership, to refresh the vision and reignite support for insight-driven transformation of services, products and operations, is required to drive alignment across the organisation.

To increase buy-in and secure sufficient budget for future investment, it is vital to be able to identify and track the return on investment. A combination of not being able to identify the benefits and not having a clear vision articulated across an organisation can lead to a negative return on investment. There are a number of common reasons why organisations may not be realising the benefits from data analytics:

- **scope of data analytics projects lack direction:** insufficient liaison with key business stakeholders and users to identify why the solution would be valuable and how this value will be measured;
- **solutions are driven by technology:** organisations have invested in buying off-the-shelf solutions which are not aligned to specific business drivers or pain points within the organisation;
- **lack of adoption of solutions:** more effort is required to integrate the solutions or insights into the everyday operations of the insurer and manage the people and cultural changes required to see results;
- **incomplete ‘insight process’: the analytics process stops at the development and release of the analytics solution and does not account for measuring activity, progress or results in an industrialised state.

We believe that short-term tactical projects are important and serve a purpose. They help to finance further investment, maintain responsiveness of stakeholders and shape the analytics programme as the organisation learns more about the disruptive environment it is operating in.

However, insurers must also consider how their analytics capabilities will evolve over the long-term based on their vision for the future. Balancing short-term requirements with long-term sustainability is vital. Longer-term delivery needs to be underpinned by a method that achieves short-term value in order to avoid the common pitfalls of a traditional multi-year transformation programme.

1. A little less conversation, a lot more action—tactics to get satisfaction from data analytics. EMEA Insurance data analytics study. Deloitte, 2017.
Regardless of the scale of an insurer’s analytics ambitions, an executive leader who can define the vision (with the support of the wider executive team) and drive the organisation to achieve that vision is required in order to navigate today’s environment.

As there is no market standard approach to data analytics in insurance, it is likely that there are multiple and often conflicting views at the top table. Many insurers have now introduced the role of the Chief Data Officer (CDO) to take responsibility and champion the vision of the business.

**Assets and capability**
Companies across all industries face a significant supply gap of data analytics talent. Entry-level positions are challenging to fill, and there is also a major drought at the most senior levels. Professionals who can deliver data-backed insights that create business value – not just number crunchers – are especially hard to find and are becoming increasingly expensive.

Getting the right motivational factors in play is fundamental to successfully attracting and retaining talent in the long-term. For example, empowering individuals with free innovation and thinking time is attractive. Purple People with a mix of business and technology skills will have a big role to play whilst the market matures. In the longer term, as demand for data analytics increases, it is worth considering whether building all talent required in-house is practical and affordable. We believe that a ‘matrixed’ supply of analytics talent, which is a mixture of in-house and outsourced capability, reflective of an organisation’s comfort with options such as centralisation, offshoring, robotics, and multi-sourcing (using multiple vendors for different parts of the end to end insights process) will feature in insight-driven insurers of the future.

Overhauling traditional IT infrastructure in favour of more agile access to data, and constructing an architecture capable of digesting and processing such volumes of data at speed, are prerequisites to maximising future data networks. Many insurers have the foundations of a data governance capability but need to develop this further in order to address on-going issues in data quality and culture. Identifying

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Ownership and accountability for data across the organisation at the highest and lowest levels, is key to success.

Poor data quality is often used as an excuse for departments resisting the move to analytics. We urge insurers not to wait for perfect data before embarking on a data analytics journey. The two endeavours should be concurrent – executing valuable analytics projects in sprint cycles whilst identifying the right information management approach and migrating to the right solution architecture.

As the analytics journey progresses, it is easy to feel overwhelmed by the capabilities required to keep up with the rapidly changing market. Developing a network of partners and leveraging ecosystems can take some of the pressure off constructing all of these capabilities internally.

**Operationalisation and change management**

There is no single way to organise for success. The scope and capabilities of the analytics function should be determined based on both the organisation’s current and potential future needs – the vision, strategy and roadmap of activities will play an important role in this.

As with many other organisational functions, the data analytics function benefits from having some standardisation. The development of repeatable processes and a centralised capability can help drive scale for the enterprise. That being said, analytics should not be conducted in isolation from the parts of the business for which the analytical insights are being produced. As a young and developing function, data analytics – more so perhaps than any other support function – must be linked intrinsically to the needs of the business and show flexibility as these needs continue to change.

The challenge for leaders is to decide which capabilities should be provided centrally, and then how to seamlessly link the centralised function with both IT and front line business services. Bringing together key stakeholders to identify where efforts should be focused will help to ensure a holistic view of organisational requirements.

Executive sponsorship is essential in shifting the culture of an organisation towards becoming data-driven and hungry for insights.

Executing against a well-designed roadmap of initiatives will demonstrate value to the rest of the organisation provided that the sponsorship is strong enough to ensure that the insights are acted upon. By developing analytics proofs of concept in an agile way, a cycle of ‘promotion’ can be developed as well as an internal brand for analytics.

Success stories must be communicated loud and clear to not just the executive and the sponsor, but to the whole business. Organisations in other industries are doing this through live demos, intranet sites, Yammer groups, Sharepoint sites and visual insights hubs.

Everyone in the organisation needs to buy into the strategy and make use of the data, tools and insights available to them. Even with strong leadership and executive sponsorship, an organisation may not change, and it certainly will not change overnight. In particular, it requires a large cultural shift to act on insights from analysis to support and drive decision making.
Whilst insights are being used in decision making, in the most part there remains a barrier when it comes to acting on insights from predictive analytics. Poor data and limited trust in the insights are often assumed to be the cause for this. However, in insurance, we believe this can also be attributed to deep-seated perceptions about data analytics and resistance to moving away from making decisions based on gut-feel.

As a result, insurers are missing huge opportunities – competitive advantage and disruption come from being able to predict and act quickly. Traditional mind-sets are holding insurers back from taking the leap of faith required to exploit the benefits that automated decision making and artificial intelligence can provide.

**How to become an insight driven organisation**

Whilst leading organisations have made significant progress in developing analytics capabilities, they often struggle to structure their strategy, people, processes, data and technology to cope with the rising volume of information and the ever-increasing demand for analytical insights. Making three key changes can transform the game for insurers:

01. Take a holistic approach and plan for the enterprise-wide capability you will require in the future, not your short-term tactical requirements.

What kind of insurer are you today, and what do you want to be tomorrow? What are you doing about this and how do you plan on getting there? Which changes do you need to make and prioritise?

02. Leverage ecosystems to make the best use of data, technology and talent in a quick, cost-effective and safe fashion whilst building your future capability.

Do you have the ability and budget to do everything in-house? Is it efficient and prudent to do so? What could you glean from elsewhere?

03. Address the behavioural challenges by prioritising change management in your analytics efforts to truly benefit from the value of analytics.

Do you recognise the importance of change relating to analytics? How can you address this in your organisation? Does your leadership set the right example?

As in other industries, those who recognise, embrace and address these challenges will emerge at the top of the league. Those who shy away and assume that change will simply happen will be left behind, rapidly.