

insurance day

www.insuranceday.com

in association with



TECHNOLOGY FOCUS



The power of data

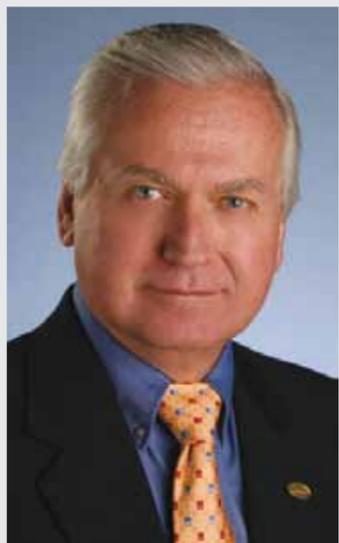
It is traditional for insurance professionals to look to outsiders for wisdom about data. In the days when storing, accessing and processing data were mysterious and expensive operations, this made lots of sense. But now data is everywhere, it is becoming clearer it is not a specialist subject for insurers – it is the core of the business.

Data is our raw material, our end product and our means of management. We need meaningful data not just to run the enterprise efficiently, but also to grow the business. The innovation we need to survive and thrive as an industry depends on data – on our ability to manage this precious resource and to maximise its value.

Our guest writer Stuart Rose explains how data exploitation is a strategic issue for insurers today. The needed shift in mindset is slight but profound. It is the recognition while data management requires some specialist skills, it cannot be shunted into a specialist function. Data is everyone's responsibility.

As Rose says, analytics is a hot topic. But it is not a fad. Basing strategy on meaningful information is the basic principle of management – always has been. We are privileged to live in an era with unprecedented potential for rich, accurate and actionable information. The power is there, in our data. ■

Gregory Maciag is president and chief executive of ACORD. He can be reached at gmaciag@acord.org



Towards a strategic analytic culture

Insurance companies are seen as laggards when it comes to analytics, even though the industry was one of the first to embrace data as part of its business processes



Stuart Rose,
global insurance
marketing director
SAS

Analytics is a hot topic and everyone seems to be talking about it. But analytics is not new to the insurance industry. In fact, it could be argued the first mortality tables were a form of analytics since the actuaries were using historical data to forecast the survival rates of their policyholders and insured. But, compared to many other industries, insurance companies are seen as laggards when it comes to analytics. Why is this?

One reason is until now, analytics has predominately been seen as a back-office function, used by silo departments such as claims, actuarial and marketing. To become analytically efficient, insurance companies need to create a strategic culture where data and analytics are part of the corporate DNA.

Commitment and strategy

A strategic analytic culture starts and ends with executive management commitment. When executives are fully bought in to the concept of an analytic culture, they set goals, priorities and expectations based on the use of analytics. They invest in technology, people and processes that will continue to foster this culture.

Companies with a strategic analytic culture set their business strategies based on what the analytics tell them. AIG is a great example of this. Through its strategic risk analysis group, a team responsible for continually optimising business performance through analytics, the company has implemented 16 underwriting and finance predictive models, which have helped prevent millions of dollars in potential losses.



The key to success in creating a strategic analytic culture is to have a small, well-defined victory and then sell it loudly across your organisation

mast3r/Shutterstock.com

Data management and fact-based decision-making

Good analytics are pointless without good data. The foundation of a strategic analytic culture requires an organisational commitment to creating, cleansing, storing and accessing information from across the enterprise, which means more than just being able to get to the data.

It also means building common, agreed definitions of key metrics, so when executives review information they can spend their time making decisions rather than arguing about definitions. Industry data standards play a vital role here.

Organisations with a strategic analytic culture are motivated to back up conclusions with data. It is not about instinct but solid proof. Colleagues across the organisation ask "why" and demand data in response. This is not to say there is no room for creativity. In fact, it is quite the opposite. Individuals feel more comfortable when thinking out of the box or developing creative solutions if they can point to evidence that suggests this kind of thinking will produce positive results.

Getting started

The journey to a strategic analytic culture starts with a small step. The key to success is to have a small, well-defined victory and then sell it loudly across your organisation. First, you need to choose a business area ready for success. Evaluate that opportunity according to the people, technology, processes and culture already in place or that can be put in place successfully. For example, many insurance companies have already achieved success in their claims departments by applying advanced analytics to the problem of detecting fraudulent activity.

Perhaps it is time to address the other side of the coin and start working within the marketing area – focused on building an exceptional customer experience. Or you may see an opportunity – as some insurers already have – to bring two siloed departments together, synchronising marketing and claims decisions through data and analytics.

Ensuring success

Once you've identified the business area to focus on, you should clearly define your business priorities and objectives. Evaluate

potential projects by ensuring you can answer "yes" to the following:

- Is it a business problem that resonates with the organisation?
- Is the problem easy to define?
- Is the project relatively small in scope but large in impact?
- Are the objectives easy to measure?
- Does the required data exist?
- Do the necessary skill sets exist?
- Is the process repeatable, or is there at least a path to repeatability? and
- Is there an executive who would be willing to support and guide the project?

In insurance companies, many decisions hinge on finding the right balance between what is best for the customer and what is best for the organisation. Data and analytics can shore up the relationship between customer experience and profits, ensuring decisions remain in balance. An enterprise-wide commitment to data and analytics is the key to achieving this balance. ■

This article is based on Stuart Rose's white paper *Building a Strategic Analytic Culture*, which is available from SAS at <http://www.sas.com/reg/wp/ca/66036>.