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The Art of the Possible

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By Manish Khetan

Analytics Everywhere Doesn't Imply Effectiveness

Data cleanliness, availability of talent, and ability to integrate with new data sources can significantly impact insurers' ability to succeed with analytics.

In the insurance industry, spending apparently continues unabated on enterprise-scale business intelligence (BI) and analytics solutions. More simply put, analytics is everywhere.

And, while no one is disputing the value of such solutions at a high-level, prudent property and casualty (P&C) insurers are still shoring up positions on underlying issues before investing heavily. By working on data cleanliness, building a better ability to analyze, manipulate, and act on information derived from internal data, and vetting potential new data sources and partners to improve the overall customer experience, P&C insurers can maximize current and future investments in BI and analytics solutions.

In a recent research report, insurance industry analyst firm Strategy Meets Action (SMA) rightly recognized that "Insurers from every line of business have been analyzing data since the origins of the industry." Unfortunately, that kind of continuous activity doesn't necessarily imply effectiveness.

The Shape of Data

Many insurers understand that the nature of insurance data is inherently unstructured, often only collected for rating purposes and siloed away within core systems. When this unsuitable data is fed into analytics solutions, the result is, at best, unusable or inaccurate reports, and at worst, dangerously misleading information. Long-term, or even short-term, decision making based on bad data can lead to a loss of customer confidence, unrecognized income opportunities, and even company failure. As a matter of priority, insurers need to find ways to clean up dirty, corrupted, or partial data, eliminating the unusable portions and making the relevant information easily and efficiently available for analysis and further exploitation.

A great deal of valuable information lies within transactional or unstructured corporate data, and existing transactional data is becoming more valuable over time as customer expectations increase in the rapidly expanding digital world. Correspondingly, as the amount of insurance data compounds daily, more sophisticated technologies are required to mine the data and turn it into something useful. Originally, optical character recognition (OCR) technologies were employed to "digitize" insurance data, and basic text mining solutions pulled it all together once the data had been converted into a more consumable format. Fortunately, those technologies have continued to evolve into ever more elegant solutions capable of providing increased value to insurers. In particular, artificial intelligence (AI) solutions involving natural language processing (NLP) and machine learning (ML) are having a positive bottom line impact for insurers.

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The Talent Supplement

The positive implications and outcomes associated with increasing amounts of data and developing technologies and techniques for dealing with it are not without a potential downside, however. Executing large scale BI and analytics projects without first ensuring there is talent on hand to properly manage the project is most certainly putting the proverbial horse before the cart, and guarantees that money spent on such projects will not result in the desired benefit for P&C insurers.

"Regardless of the size of an organization, a shortage of data and analytics talent and skills sets are now a significant barrier to advancing capabilities," wrote Karen Pauli, SMA partner and author of the report.

There is a serious need in insurance for talent development and hiring of qualified personnel who have the skills needed to better analyze, manipulate and act one information derived from internal data. The best, most effective analytics solutions in the world are virtually useless without people who understand what it does and how to get the most out of it. AI provides a hearty "leg-up" in analysis, but is nowhere near capable of operating without human interaction. This makes the "human element" a vital piece of the puzzle for insurers. Existing insurers full-time employees (FTEs) need training and development on the latest analytics solutions and technologies to keep up with this ever-evolving discipline. Additionally, new staff acquisitions need to be conversant in modern data and analytics systems to ensure that insurers remain (or become) competitive.

In the acquisition of analytics- and data-savvy staff, large insurers have a strong advantage in a highly-competitive field. Larger companies have the financial means to individuals who are in high demand across many industry sectors as the world economy becomes increasingly digital, and as companies in dozens of other fields are looking for insight into how and why their customers behave as they do. This is not to say that smaller companies cannot build internal enterprise data/analytics departments, merely that the larger the company, the stronger the bench, typically.

For a significant number of insurers, both large and small, there are alternatives: Rather than developing the required skill base internally, seek external partners, such as trusted managed services providers, to handle evolving data/analytical requirements. Given the pace of change in the data available and the tools to analyze that data, partnering with a managed services provider with specific insurance industry expertise is an attractive option for many. AI, Big Data, ML, predictive modeling, and robotic process automation (RPA) are undeniably complex, time-consuming, and expensive operations. Many insurers prefer to leverage partners with established data sciences proficiency, often operating with cross-disciplinary service teams that focus on creating solutions tailored to specific clients. Such solutions can provide exactly the analysis needed without additional internal talent development or acquisition efforts.

Analytics Everywhere

Those specialists, internal or external, now confront an ever-expanding range of data sources valuable to the insurance industry.

“Analytics really is everywhere in insurance now,” states the SMA report. “Every line of business, every departmental area, and many of the new InsurTechs consider analytics as central to their success. In fact, analytics is becoming a discipline in its own right, as more insurers recognize the power of harnessing their proprietary data and capitalizing on the many new data sources available in the digital, connected world.”

And, those new data sources are growing dramatically as the world digitizes.

Additionally, SMA found that “Specific uses of data and analytics are mature, and have historic investment, but uses related to customer experience and claims are reflective of growing gaps.”

Previously, most of the data that insurance companies dealt with was historical, denoting what had already happened and looking at past patterns. Increasingly, other forms of data are capable of providing greater insights into the future of customer behavior. Numerous insurance companies have stated that customer experience is a strategic focus for the business. But, the lack of understanding of a customer’s lifetime value hinders the development of a proper customer experience or customer success program.

The wide range of new data types and inputs makes such a development possible. The Internet of Things (IoT), along with

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the vast playground of social data, offers possibilities not only for recognizing consumer trends and desires, but allows analytics to actually predict patterns of conduct and actions. Social data alone offers great possibilities for understanding customers individually and in groups, given the sheer mass of information available. Of course, that bulk of information requires a change of approach in analytics deployment, in parallel with a focus on previously untapped data streams.

This is another realm where working with managed service partners can pay enormous dividends. The sheer volume of new data sources would, and does, tax even the largest insurers, striving to make sense of extensive information stockpiles. For those without the desire or ability to create internal analytics teams, pairing up with companies that primarily focus on distilling the flood of information can help to close the competitive gap against larger, more resource-rich insurance companies.

Continuous Analysis

Data conversion, management, and analytics initiatives should not be looked at as one-off projects that can be left for when there is more time, but instead as vital capabilities that all successful insurers must possess and nurture. The rapid development of data sources and the increasing demand of customers for that positive, convenient, personal experience narrows the window for adopting the technology or partnerships required to exploit the information streams vital to insurance companies. If companies cannot leverage the opportunities available in emerging data, they risk being left behind.

Those companies that opt to ignore the new sources of information, or to “deal with them when possible” are going to find that business has left them behind. Without excellent analysis of all the information available, companies face the prospect of becoming historical data themselves. As the SMA report also summarizes, “Data is now the source of competitive advantage, and insurers must commit capital and talent to the emerging technologies that will transform silent and disconnected data into new opportunities.”

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