

A Different View

An outside-in approach is needed to reach customers, but first insurers must value their data as a corporate asset.

by Bill Jenkins

Editor's Note: This is the first of three articles on this topic.

Demographic changes are forcing insurance carriers to conduct business differently. Successful insurers are embracing the adage “know thy customer” and trying to connect with insureds, create touch points and develop customer loyalty. This customer-centric, outside-in approach helps insurers generate personalized insurance products and services, rather than broadly promoting and pushing a particular product, as is the case today. It is what customers are expecting from companies. One only needs to see how Amazon, Google and Netflix conduct business to understand this requirement.

Key Points

The Situation: In many cases, insurers do not understand the processes, technologies or functions needed to manage and control their data nor do they have a proper strategy of use of organizational data.

The Goal: Insurers need to maximize the use of data to connect with policyholders, create touch points and develop customer loyalty and achieve operational efficiencies.

The Strategy: Companies must recognize data as an important asset, then develop an enterprisewide plan to manage, protect, and use it.



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Hand in glove with the above is the rush by carriers to harness and use big data and analytic technologies to understand customer behaviors and risk needs so they can provide more responsive products, rates and services.

Are insurance carriers ready to take on these efforts? Have they learned from the past—when failed data warehousing efforts were the technology du jour, and multimillion-dollar investments ended up abandoned, results never realized?

Insurers continue to spend millions of dollars to automate their businesses. By 2019 businesses will spend \$187 billion on data, digital products and services, according to research firm IDC. This illustrates how CEOs view data not only as a competitive necessity, but also as a critical corporate asset that can be used to provide their organization with significant return on investment and value.

Meanwhile, the insurance landscape continues to change, as customer profiles are enhanced, technology capabilities evolve and competition continues to be more diverse. But information is still not reaching business users.

And while insurance has always been an information-intensive business, the industry continues to be data-rich but information-poor. Employees often ask “What am I to do with all this data?” and “How do I make sense of this useless data?”

We have now reached the point where an organization’s data can be used to differentiate it from its competitors, particularly in the areas of ratemaking, scorecards, analytics, marketing and product development. However, companies struggle with how to manage and use this corporate asset. For example, few companies possess an inventory of data as they do with cash, investments, people, equipment, facilities and other assets. At the same time, the economic value of data continues to grow dramatically, along with the exposure to threats from outside parties.

Asset Management

In many cases companies do not have an overall understanding of the processes, technologies or functions needed to manage and control this important corporate asset. Too often data initiatives have been one-off projects done on a siloed basis to address a specific department’s needs. Little perspective is shared with other parts of the organization so they can benefit from these projects and use the results achieved or processes put into place.

Data management, ownership and quality are too often seen solely as IT responsibilities. Few insurance carriers are successfully transforming data into the actionable information they need to give them a competitive advantage. For example, many insurance carriers still struggle with recognizing their most profitable customers—policyholders and agents.

Insurers continue to strive to obtain a single view of their customers; confusion reigns as to which report or database possesses the most accurate number; and common data definitions do not exist.

If carriers are to successfully exploit and protect this critical corporate asset, they should consider an overall enterprise plan of attack inclusive of personnel, process, technology, organization and culture implications. Such an approach is necessary for effectively managing and protecting the data, as well as actually using it.

A Way Forward

Unfortunately there are reports from research firms TDWI, Accenture and others indicating that more than 70% of U.S. insurance carriers do not currently possess data management strategies, and according to Peter Aiken, founder of Data Blueprint, less than 10% of all companies have an overall data strategy. Hence, it is easy to understand why most carriers continue to struggle with data efficiency and value.

A proper data strategy should be a single enterprisewide plan for the use and control of corporate data as well as for strategic and operational decision-making. Most importantly, the strategy needs to be designed to support and align with the organization’s overall mission. Major components of a data strategy should include:

- **People:** Type of skills and numbers needed.
- **Processes:** Data governance, data quality, data standardization.
- **Technologies:** Data repositories, data models, data dictionaries, metadata, data profiling/cleansing, master data management tools, data integration, security and privacy.
- **Organization:** Culture, data ownership, centers of excellence.

An effective data strategy is dependent on business users and IT working together and adhering to it. Strong awareness of data as a vital corporate asset needs to permeate the organization.

In addition, business management must possess the awareness and knowledge of the data challenges facing the company. Executives also must understand that data is a corporate asset that needs to be managed and protected like the other assets of the company. Finally, each data initiative must align with and support the corporate mission, strategy and key initiatives. BR



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