

The logo for Indellient, featuring the word "Indellient" in a dark blue, sans-serif font inside a white speech bubble shape. The background of the entire page is a dark blue geometric pattern of overlapping triangles and polygons.

## **INSURANCE IN THE AGE OF ANALYTICS**

A Snapshot of Analytics Maturity within the Canadian Insurance Industry

## Introduction

The analytics era is in full-force, where organizations are looking to move beyond traditional data techniques for more advanced capabilities that will solve the current challenges they're facing.

Data and analytics have transformed many areas in society – yet, despite its tremendous reliance on data, the insurance market lags other fast-moving industries. Implementing data and analytics initiatives is no longer an option, but essential for those organizations wanting to personalize products and services, become forward-looking, increase their bottom-line and keep up with the pace of competition.

The conversation at this year's [Insurance Analytics Canada Summit](#) revolved around companies integrating analytics into day-to-day business processes and maximizing the value the organization receives. Similar to any transformation project, the discussions focused on:

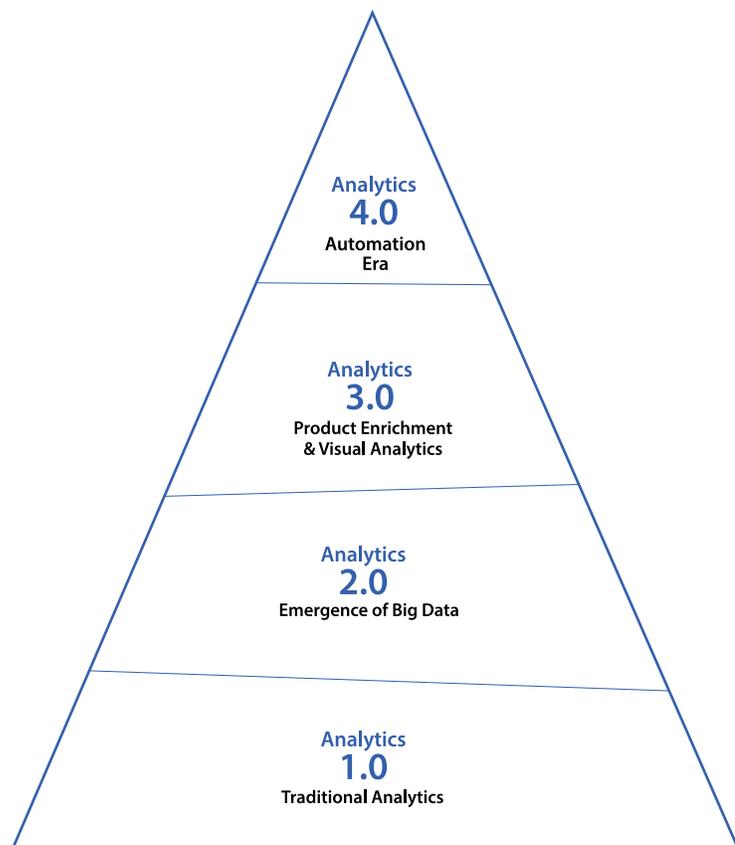
- best practices for improving the state of analytics within each organization;
- the barriers that exist in doing so; and,
- the larger opportunities ahead.

Participants and attendees openly discussed the challenges and tasks at hand, understanding there is a long road ahead – but also that data has the potential to speed up and simplify the insurance process. Specifically, insurers are dealing with the cultural change around digital transformation and the need to drive greater internal efficiencies to better react to changes, all while trying to keep up with the pace of technology.

## Exploring the State of Analytics Maturity Within the Canadian Insurance Market

To further understand the current state of organizations at the summit, Indellient offered a survey to identify where they stand in their analytics journey.

The Indellient Survey set the context by outlining the four main baseline requirements for building the analytics foundation required to support business objectives. Each of these stages are described below.



*We polled the audience on their analytics maturity stage. Scroll down to view the results.*

## The Stages of Analytics Maturity

Measuring the status of your analytics journey and progress helps to identify and address hidden obstacles, improve governance and maintain momentum. Below are four stages of the analytics journey by which organizations can assess themselves.

### **Analytics 1.0: Era of Business Intelligence**

Traditional analytics is defined as having structured data sourced internally and in small volumes. In this stage, analysis is not seen as critical to addressing the competitive environment and is performed by small teams. Organizations in this stage use descriptive analytics and reporting for performance insights, but not prediction or process optimization.

As an example, converting and digitizing back-office systems can help in underwriting programs to streamline the application process from weeks to days.

### **Analytics 2.0: The Era of Big Data**

In the second stage of the analytics journey, additional potential uses of information emerge and the role of data and analytics shifts. Here, the use of analytics is broadened beyond decision support to include data-driven products and services, as well as cloud-based and/or distributed processing.

Insurance companies turn to new classes of databases to deal with unstructured data as well as open-source software frameworks such as Hadoop for fast batch data processing across varied geographies, systems and hardware.

Regardless of enhanced computing capabilities, organizations' analytics approach used in driving solutions still lack sophistication.

### **Analytics 3.0: The Era of Data-Enriched Products and Service Offerings**

In the next generation of analytics, there is a strong connection between data scientists and business analysts. Analytical models are embedded into operational and decision processes throughout the organization.

According to a recent report by [Mckinsey](#), one large insurance carrier saw a 30 per cent increase in adoption rates when frontline employees joined a cross-functional team engaged in defining use cases.

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In this stage, organizations have the data management capabilities to respond to new markets, challenges, positions and priorities and gain new insights via prescriptive and predictive models.

The challenge in this stage is adapting to operational, product development, and decision processes to take advantage of modern technologies and methods. In other words, the human resource management part of the equation.

## **Analytics 4:0: Automation Era**

The most successful companies incorporate data and analytics into *all* aspects of their business processes, from automating tasks to decision support. In this final stage of the analytics journey, the analytics process is invisible and uses cognitive technologies to digitize tasks, effectively addressing the human resource challenges inherent in the previous stage.

This isn't to say the insurance industry will be taken over by robots for all processes in the near future, but the reality is virtual agents and chat bots can boost sales and drive efficiencies never before seen.

A McKinsey survey of more than 2,000 executives in industries affected by digital technology shows that the companies with the highest revenue and earnings growth looked for digital opportunities across all elements of their business model, not just one or two, and either led the disruption or were fast followers.

## Survey Findings from Insurance Analytics Summit

- The majority of participants (**54%**) identified themselves at the second stage of the analytics journey.
- **33%** of participants described themselves at the basic level whereby they use traditional analytics.
- A smaller group of participants (**13%**) found themselves in the third phase of the analytics model, where analytics is used in the operational and decision-making processes across the organization and using more complex methods to analyze their data.

## Common Topics and Themes from the Summit

As attendees looked for ways in which they can drive and contribute to effective analytics initiatives, they often asked and discussed the following:

- **How can we empower our IT teams with more resources for analytical models?**
- **How can we attract more analytic expertise within our organizations?**
- **How can we advance our analytics journey today?**

Many expressed that they have not grasped the full analytics process and don't use the full potential to automate tasks and decisions at a high-level.

The analytics journey is just that – a journey – with mistakes, hurdles, learning opportunities and efforts that eventually pay off in the long-run. Though many insurance organizations are in the initial phases, the momentum to strengthen their business is growing, along with the technological solutions at their disposal to help.

## Today's Barriers to Embracing Deep Analytics in Insurance

Insurance organizations are part of a mature industry with a rich past and bright future. Having said that, many are still using traditional methods to carry out business processes that are no longer relevant in the era of digital transformation and instantly personalized products and services. Below are the common obstacles insurers are facing in advancing their analytics, as widely discussed at this year's conference.

**Embracing a cultural change.** Experimentation is key when moving forward with analytical projects, but can't be done correctly when there are many obstacles in the way. Insurance organizations need to implement a new way of thinking from top down and adopt a "fail fast mentality".

Organizations must address the cultural challenge around embracing digital initiatives and start from scratch – including training employees and outlining new goals. In the words of Danny Dagher, Group Chief Information Officer of Regional Universal Banking Group Bank Audi, "There are many insurance companies that run IT [only] as a support function. In today's environment, that will kill them."

**Initial start-up cost vs. time to delivery is a key issue with analytical efforts.** It's difficult for major stakeholders to understand that short-term ROI loss will lead to long-term ROI gain. This becomes even more difficult for small to midsize insurers. Experts at the 2017 conference recommended that 75% of resources should be allocated towards fast ROI efforts, while the other 25% towards longer-term projects.

**Firms need to address the skills gap.** Insurance firms have difficulty keeping up with the analytical capabilities of modern technologies, and as such fail to adapt in a timely manner. Due to this lack of skills and knowledge on data and analytics efforts, it becomes hard to make an informed choice of what model/approach to take for specific business cases.

One way to meet the challenge is to promote a new, agile way of thinking which starts with recruiting the right talent. "I've hired an entirely new digital team. I've brought in people from the world of gaming, from travel, from retail, from pure digital. And they've brought in a lot of people too. There are some particular skills I'd call out. One would be digital production design. Another would be digital marketing on the social side. And another would be data analytics, particularly on the customer side rather than risk," says Andrew Brem, Chief Digital Officer at Aviva.

The slew of speakers, seminars and exhibitors at the summit all had a common message: That data is at the heart of opportunities. Insurance organizations willing to put in the time to advance their analytical capabilities can navigate through these barriers, with assistance from IT teams and analytical tools.

## Recommendations

### **Empower teams with more resources for analytical models.**

Experts advised that it's important for IT and/or analytics teams to work towards solving specific business problems – one use case at a time. By leveraging analytics and business teams together to go after one common goal, hiring the right IT talent and implementing educational tools for staff, the organization is strengthened and analytics is prioritized at every level.

**Attract or outsource the right analytic expertise for your organization.** Data scientists and business analysts should play a key role in every organization that wants to advance their analytics. Though, experts said this is difficult because IT experts typically prefer to work for IT organizations and salaries typically are not as competitive in insurance as they would be in an IT enterprise.

As mentioned during a conference panel seated with individuals from Economical Insurance, RBC Insurance, Opta Information Intelligence and Adante, partnerships are critical to success. Many vendors and third-party organizations can step in to fill this gap and assist as resources are needed, and they can help you uncover insights you didn't know were possible.

### **Maintain momentum to advance your analytics journey.**

Keeping analytics agendas moving forward will have a trickle-down effect on all other business processes; hence, they need to be at the forefront of business practices. Today's top minds in the insurance analytics space reiterated the importance of connecting projects and tools to financial or customer value, and building a business case with the value it will bring.

*"There is a huge opportunity to use data and technology to drive workflow efficiency. Too often insurers have become enamored by a particular process because it's a cherished workflow. Adding value to services that no-one knew existed, that's going to change the experience of insurance," says McCutcheon.*

## Conclusion

Organizations need to continue to invest in, and view analytics as an essential element of their company's competitive fabric if they want to survive.

The first step is evaluating your pain-points and identifying what you wish to use analytics for, whether it's to predict future outcomes, better understand your customer base or make better decisions, faster.

*"The companies that will stand out are the ones that are going to find ways to move a bit faster, at the pace of the people they're insuring"*  
- Scott Simony, Head of Industry at Google

Let's get to work. Learn more about Indellient's participation in the Insurance Analytics Canada Summit [here](#).