



# Getting strategic value from D&A

Insurance CEOs are confident in their Data and Analytics (D&A) capabilities. And most recognise that D&A creates significant opportunities for competitive advantage. Now, they just need to work out how to elevate this prowess to a strategic level.

## The best at an old game

Insurance CEOs are certainly bullish about their organisational D&A skills. According to our recent survey of more than 100 Insurance CEOs, 31 percent of insurers suffer no skills gap at all when it comes to D&A. Slightly more than half – 54 percent – begrudgingly admit that they have a ‘few’ skills gaps.

When it comes to traditional D&A – compiling Management Information and reporting on risks, for example – Insurance CEOs have good reason to be bullish. After all, insurance has always been a data-driven business and most insurers therefore do a fairly good job managing their core processes and data.

## Seeing the opportunity

Insurance CEOs seem to recognise the massive opportunities that D&A can deliver, from better managing risk and improving performance through to driving customer relationships and growth.

Already, 55 percent of insurers say they are using D&A to improve risk management. And 47 percent are using it to spot fraud. Others are starting to focus on integrating their management and business information with external data in order to provide visualisations that allow the organisation to view their risk metrics in almost real-time, thereby improving their ability to respond to and, if possible, capitalise from changing market conditions.

Insurers are also finding significant opportunities to leverage D&A to improve performance across the enterprise. Some are using their capabilities to improve financial reporting while others say they are using D&A to track their ROI on HR initiatives. Here, again, CEOs seem fairly confident in their capabilities; 25 percent of our respondents say they consider themselves to be a ‘leader’ in leveraging D&A to drive performance improvements.

Our survey shows that insurers also recognise they can help improve their growth by leveraging D&A. Around half of our respondents are already using D&A to find new

customers, to target marketing campaigns, to develop new products and services and to analyse how customer are using their products. And as more external data on customers is integrated into the analytics, insurers are finding new and innovative ways to better target – and serve – their customers.

## Elevating the value of D&A

While these are all important steps to value and capability development, we believe that Insurance CEOs and their boards need to start thinking much more strategically about Data and Analytics. And this will require significant change in the way D&A is managed, valued and adopted.

For most insurers, an important first step will be to elevate D&A to the highest levels of the organisation. What should already be clear to most CEOs is that D&A is not a technology issue, but rather a business issue that impacts the entire enterprise and ecosystem. It therefore requires the right level of seniority – an executive-level leader that can span functions and divisions – to truly deliver value at a strategic level.

Thinking of D&A as more than just a technology issue should also help CEOs create the right ‘supporting environment’ to help drive the transformation towards a data-driven organisation. This will require a significant change in current corporate cultures (particularly for people like actuaries who have spent years building up their own approach to analysing data). It will also require insurers to rethink their core processes to improve the flow of data across the enterprise.

To achieve strategic capabilities and strategic results, however, Insurance CEOs will need to work with the organisation to drive much stronger alignment between D&A investments and key business drivers. To date, the relationship between the business and analytics has been tactical at best. Organisations will need to do a better job at focusing their capabilities on the challenges that create the most risk, or the opportunities that create the most value.

## Creating the right environment

Telling CEOs to become more strategic is all well and good. But the reality is that most face significant challenges transforming their organisations into analytical enterprises.

Likely the greatest challenge relates to the data itself. In our survey, **78 percent of CEOs voiced some level of concern about their data quality**. This is not surprising. Even those insurers who have a handle on the quality of their internal data (and few do) are worried about the quality of the external data they hope to integrate into their analytics engines. Improving data quality and finding ways to measure and report data quality levels across the enterprise will be critical to driving business confidence and smart decision-making.

Insurance CEOs also seem to lack confidence in the security and effectiveness of their D&A. Just 30 percent have a high level of trust in their D&A security capabilities.

Only a third are confident that their algorithms and black boxes are actually doing something valuable. The value question will be solved by making sure D&A is being used to solve the problems that matter most to the organisation. The security question will take more effort (and continuous vigilance).

The other big challenge facing insurers relates to their technology estate. Insurance CEOs recognise that their legacy infrastructure is not flexible or agile enough to support complex D&A requirements. But rather than 'tossing out' the core systems and starting again, some insurers are instead adopting more transitional approaches such as using middleware to pull data from disparate systems or simply putting a second screen onto employee desktops that accesses aligned systems and visualisations.

When they do invest into new technologies, however, the leaders are ensuring that their decisions help

progress the long-term vision for the organisation's technology estate following established principles.

## Plant a tree today

It is no longer enough to buy a few technologies and hire a few data scientists and call it a data strategy. In order to be successful, the data approach must be aligned to, and often underpins, the business vision. Planning for the data analytics of the future ensures that often limited resources are focused on the challenges that matter most to the organisation.

An old Chinese proverb wisely tells us that "The best time to plant a tree was 20 years ago. The second best time is now." The same can be said for creating a data strategy: life would be easier for insurers today if they had created a D&A strategy 5 years ago. But don't be caught 5 years down the road facing the same challenge. The time to start thinking strategically about D&A is now.

### Set the pace or risk falling behind: Insurance CEOs speak

This article is from our *Set the Pace or Risk Falling Behind* article series.

In 2016, KPMG interviewed more than 100 CEOs at some of the largest insurance companies around the world. We asked them about their greatest challenges and their business strategies. We talked about their investments into growth and innovation, and explored their greatest risks.

In our article series we present the findings of our research and provide context and ideas to help insurance executives make the most of the changing environment. The series of unique articles focuses on key themes such as transformation, data and analytics and customer-centricity and offers new ideas and actionable tips in emerging areas such as automation, partnerships and cyber security.

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