By now, most insurers understand the potential value that big data could deliver to their organisations. But our experience suggests that few insurers today are ready to take full advantage of the many opportunities that could be captured with greater data insights. Thankfully, there are a number of ways that insurers could start improving their data and analytics capabilities immediately.

To start the transformational journey into the type of data-driven, insight-led organisations seen in other sectors, insurers will need to be bold in their approach. We see several opportunities for insurers to catalyse change including reducing the ‘bloat’ and sprawl of internal data and infrastructure before starting to add new data into the mix; instituting a data governance model that is flexible across the business; enthusing a culture of experimentation; and creating an enterprise data management function that is empowered to break down internal silos. It will be critical for organisations to look for ways to shake-up their business model and challenge the status quo, while moving towards profitability-based analytics.
The fact that data – and more specifically the analytics of data – is creating massive value for organisations is irrefutable. Almost 70 percent of all C-level executives say that data and analytics (D&A) will be important to revenue growth going forward and 55 percent say they have already changed their business strategy to meet the challenges of big data.

Yet while the potential value of D&A may be clear, many organisations – insurers included – continue to struggle to make the most of their D&A capabilities. More than half of all business leaders say they consider it to be difficult or very difficult to make decisions around analysing data. Almost all executives (96 percent) agree that they could be better utilising D&A in their organisations.

Part of the challenge, and certainly this is not new news, is that big data is continuously growing, not only in size and scope, but also in complexity. As a result, many insurers now need to explore new forms of data acquisition management and integration in order to wring real insights from their data.

The reality is that today’s big data is not tomorrow’s big data: what qualifies as ‘big data’ will necessarily change over time as the tools and techniques to handle it evolve, the storage capacity increases and processing power improves.
A world of opportunity

Some of the opportunities are fairly easy to recognise. Consider, for example, the insights that could be gained simply by integrating social media data with claims data to identify potentially fraudulent activity (such as pictures of a worker’s compensation claimant riding a roller-coaster) or to quickly verify evidence of flood damage through geo-tagged photos on Flickr. Claims could be reduced, liabilities more accurately assessed and risks better monitored.

Think more broadly, however, and the possibilities are almost endless. We recently worked with one insurer to create a ‘risk dashboard’ that integrates data from more than 40 different social media sources to provide real-time monitoring of a range of risks in key geographies. Shipping clients, for example, can use the tool to keep track of storm activity; mining companies may use the tool to monitor for political or social unrest around their operations; infrastructure providers could use the dashboard to track for service interruptions.

For the insurer, the tool is a potential game-changer. Not only does it provide its customers with the ability to more actively manage and monitor their risks, which, in turn, reduces overall risk for the insurer, it also improves the ‘stickiness’ of its larger corporate customers who see the service as a significant value-add. Better yet, the insurer can now also use the tool (or sell it on as a service) to proactively warn other customers for political or social unrest around their operations; infrastructure providers could use the dashboard to track for service interruptions.

However, moving beyond a traditional ‘process’ focus (i.e. how things get done) and towards a more ‘informational’ focus (in other words, why things get done and in what situations) will not be easy and will require insurers to reconsider their approach to people, process and technology.

Many rivers to cross

While some insurers are clearly starting to turn their data into competitive advantage, the reality is that most insurance executives still see big data as a ‘big challenge’ rather than a ‘big opportunity’ and – with little competitive pressure to adapt and a long list of other high-priority challenges on the horizon – most have opted to dabble with their data rather than attack it.

This is not entirely surprising; most insurance organisations will need to do quite a bit of heavy-lifting before they can truly start wringing insights from their data.

Likely the greatest challenge facing most insurers revolves around their current data management strategy. Particularly at larger, more complex organisations, data is often trapped in silos, inconsistently labeled or locked behind access controls making it virtually impossible to achieve a ‘single view of the truth’. Likewise, data governance and ownership is often spread across the organisation, meaning that few insurance organisations have a centralised view of what data they have and how it is being managed and used.

Even those with more mature approaches to data management and analytics are struggling as the business environment shifts. The trend towards the outsourcing of some back-office business processes, for example, has potentially added more complexity as insurers start to come to grips with their data footprint.

Those purchasing data from outside the organisation, such as social media data, economic data or demographic data, face further challenges as they grapple with the implications of integrating and analysing their various data sources. Multinationals will also need to understand how local and regional data privacy regulations may impact their ability to collect, analyse and share data across the enterprise.

Identifying opportunities to catalyse change

Clearly, it will take something of a transformation for insurance organisations to evolve into the type of data-driven, insight-led organisations that are now emerging in other sectors. But our experience suggests that there are a number of actions that insurance organisations could be taking today in order to start laying the groundwork.

• Clean up what you already have: Before going out and purchasing reams of new data sets and sources, insurance organisations should start by cleaning up and integrating the data they already have. Ultimately, the objective should be to reduce the ‘bloat’ and sprawl of internal data and infrastructure before starting to add new data into the mix. That being said, one of the truly valuable characteristics of
big data is that organisations can often start identifying important insights from
data sets that aren’t technically ‘clean’, meaning that big data can quickly
and easily be overlaid on top of the
organisations existing (and clean) data.

- **Develop a data governance model:** With dozens of data warehouses and
often blurred lines of data ownership, most insurance organisations will need
to focus on creating an enterprise-wide approach to data governance
that provides flexibility to the business while also giving consistency in the
standards and controls guiding data usage. Those hoping to eventually start
leveraging big data and external sources may want to consider developing a
‘hybrid’ governance model that provides different controls for proprietary
information (such as core CDCs) versus external data.

- **Create an enterprise data management function:** While many
insurance organisations already have some form of data stewardship function,
such as a chief data officer, most are rather single-mindedly focused on
creating policies rather than improving information flow and usage. Insurers
may want to consider creating an enterprise data management function
that can act as a bridge between IT, the business and the data to help ensure
that the right information is being used – consistently – across the organisation.
Ideally, the enterprise data management group would be empowered as the
primary source for all data requests that come from the business.

- **Build a culture of experimentation:** Given the level of regulation governing
the insurance sector, it is not surprising that most organisations tend towards
a more risk-averse corporate culture. What this means, however, is that
few employees or business units feel incentivised to innovate. Those
seeking to encourage new ideas and approaches will want to consider how
they might implement a culture of experimentation that recognises
the fact that some projects will fail
and therefore provides employees and business units with the right
guidelines – and the flexibility – to safely
test out new approaches.

- **Look for the blue sky:** Rather than
trying to force your data to tell you
things you already know about your
business, focus your attention on
creating new areas for improvement or
value creation. Whether opportunities
are found in commercialising your
existing data and insights or in
leveraging your data to develop
entirely new products and services
that suit more targeted demographics,
insurance organisations should be
looking for ways to use their data to
shake-up the business model and
transform the status quo.

- **Move towards probability-based analytics:** When dealing with big data,
the key to driving insights is being able
to eliminate the 95 to 99 percent of
information that isn’t relevant to your
needs (i.e. the ‘noisy data’). This can’t
be accomplished through traditional
root cause or ‘regression’ analytics;
finding value in big data will require
insurers to understand, and embed,
probability-based approaches and
techniques into their core data and
analytics capabilities.

- **Make sure you are asking the right questions:** Getting useful insights
from your data all depends on your
ability to ask the right questions. But
it also means being able to identify
which questions you can’t currently
answer with your existing tools and
techniques. However, if insurers invest
in identifying the right questions to ask
of big data – and then couple the right
questions with smart probability-based
analytics – insights can start to flow
very quickly.

At the end of the day, the biggest
technology risk for insurers is that they
are left behind in the race to turn data
into insights and insights into value. Our
experience suggests that it will be those
that are able to create the right environment
and governance models to support data-driven
experimentation and exploration
that will win in the more customer-centric
insurance model of the future.

Given the pace of change in the market,
those who continue to merely ‘dabble’
with their data may soon find it difficult to
catch up.

**CONTRIBUTORS**

Garrett Flynn
Principal
KPMG in the US
T: +1 312 665 1608
E: gflynn@kpmg.com

Garrett has spent his career helping
organisations transform their business
through carefully planned and effectively
executed IT and process enablement. He
has worked with national and global
organisations to both manage and deliver
large programs that focused on the integration
of business function, process, technology,
data and people.

James Griffin
Director, Risk Consulting
and Innovation Practice
KPMG Australia
T: +61 2 9346 5402
E: jgriffin1@kpmg.com.au

James has worked with many of the
world’s leading corporations, government
departments and political leaders to help
them understand the opportunities and
challenges they face from digital disruption,
in particular social media. He has been the
recipient of the Young Business Person of the
Year award from Australia’s largest Chamber
of Commerce, the NSW Business Chamber.
James joined KPMG Australia as part of its
acquisition of SR7.