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Analysis Paralysis: The Struggle is Real

Insurance is one of the oldest industries, and consequently, one of the most traditional. While insurance is data-intensive, it falls behind other industries when it comes to adequate analysis. With an increased focus on big data and tech-literate generations entering the workforce, insurers need to embrace information technology and analytics to succeed.

Analytics can be a very powerful tool, and can be used to better understand risk potential, customer needs, and to tailor sales and marketing efforts. Other industries have been using intelligent data and predictive modeling for years. It's time for insurers to catch up. After all, carriers who adopt this mentality will not only strengthen their brand and insight, but emerge as market leaders, as well.

The Challenge

While the abundance of data circulating the market might seem intimidating, understanding and leveraging big data is essential for your success. According to a recent McKinsey & Company study[1], "Best-in-class [insurers] are putting distance between themselves and competitors by building advanced data and analytics underwriting capabilities that can deliver substantial value. For example, even the leading insurers can see loss ratios improve three to five points, new business premiums increase 10 to 15 percent, and retention in profitable segments jump 5 to 10 percent."

If you want to be among those best-in-class performers, you need to understand the data you have and what you should be measuring. Chances are you're thinking about the slew of data you already have, or think you have. But how useful is it? **Here are a few things to consider:**

- Does your data capture policyholders' interactions and information?

- Does your data enable cross-selling based on the profile and needs of each policyholder?

- Does your data help support underwriting and new product development?

- **Does your data help you improve your loss ratios?**

- Does all of this happen in real time?

But that's just the basics. Let's take it to the next level.

- Is your data being used to drive smart policyholder behavior and help decrease claims?

- Do you have information to help you determine the areas of risk you are most interested in attacking?

- Furthermore, do you have solutions for your policyholders to help mediate those risks?

- Does your data empower your representatives and independent agencies?

- Does your data help promote relevant and consistent customer communications?

- Does your data address the uniqueness of various mediums?

- Is your data being used to secure renewals?

- Does your data include reliable metrics for all your value-add services?

- Are you happy with those metrics and usage statistics?

You may have some solid answers to some, or even most, of these questions. But in today's market, if you don't have immediate and well-thought-out responses to ALL of these questions, then you may be a bit paralyzed. You have all this data, but are you effectively analyzing it?

Analysis Paralysis

Many insurers suffer from Analysis Paralysis. They have a lot of data, but it's not necessarily the data that will help them achieve business goals or help them with necessary business decisions. And they aren't effectively analyzing it.

In a 2021 report[2], the Deloitte AI Institute noted that while "data is often viewed as a costly necessity and a byproduct by many companies ... more innovative organizations see things differently. They understand that data is a strategic asset." So how can you more effectively analyze your data, and turn the results into a strategic asset?

If you're waiting weeks, or even months, to analyze and leverage the data you collect, that's your first mistake. The longer you wait to understand the data you have, the more you risk it becoming outdated, giving your customers time to be approached by your competition. The insurance world is already competitive, with only slight variations between products, and little to no price variation. The last thing you want is for one of your current policyholders to migrate elsewhere simply because you couldn't capitalize on key analytics.

Your Move: Proceed Carefully

So how do you prevent that? First, you need to make sure you're collecting the right data – data that will help you achieve your business goals and make necessary decisions.

Consider how weather events have evolved over the past few decades. According to industry experts[3], "The past is becoming less representative of the future. Hazard models and historical data are being replaced with real-time data and innovative technology to better predict and manage catastrophes like hurricanes and wildfires." Consider the impact this real-time data could have on your underwriting models.

And beyond underwriting – how would it be beneficial to your policyholders? More data helps your policyholders make more intelligent business decisions, inherently making them a better risk. If the data you provide could make you an indispensable business partner, rather than simply an insurer, don't you think you'd become that much more valuable?

Consider hurricanes, for example. From your data, you can tell which policyholders are living in hurricane-risk zones, were searching for hurricane related content on your website, or had filed hurricane-related claims in the past. Instead of waiting to see if they happen to be in the path of a storm this year, reach out proactively. Provide content related to hurricane preparedness and damage-prevention strategies, all before they have even started considering the risk of storms themselves. During the off-season, work with your policyholders to help them make improvements to their buildings that will make them more able to withstand the damage a future hurricane could cause, helping them lower their risk profile. If you're taking actions like these, don't you think they'd think twice before shopping around the competition? We certainly do.

Now This Is Fun:
"Data, I want more data!"

Now that you're hooked, you know that data is the key to taking your business to the next level. But how do you collect it? Your policyholders already give you a lot of information. Do they really want to give you more? But perhaps if you give them something, they'll be that much more willing to give back. It's the nature of the beast.

Value-add tools are a great way to gain insight into your customer base. You provide an added-value service, and you collect data and insight from those vendors. Or do you? First, you should make sure that your value-add partners are true partners and are dedicated to helping you achieve your business goals. Are those services even being used by your policyholders? Standard risk management tools have very low usage rates of less than ten percent, so confirming more than adequate (50%+) usage is your first step. Once you've comfortably aligned with a true partner, then the fun begins!

USAGE RATES

STANDARD RISK
MANAGEMENT TOOLS   ZYWAVE
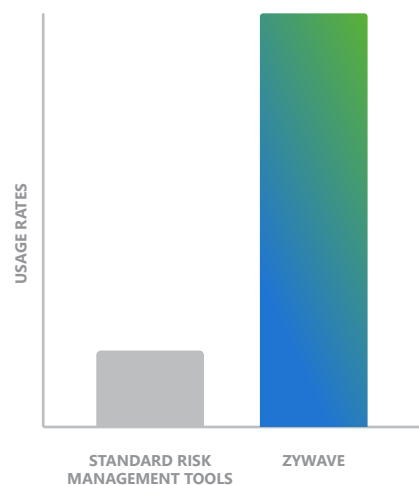
But your policyholders don't have to be your only source of data. You can get industry specific, game-changing data from data service providers. From cyber, to casualty, D&O, EPLI and more, data providers gather and sell the data you need to augment the data you can collect independently. And because they're focused on gathering data from multiple disconnected sources, the data you can obtain often covers a much wider swath of industries and loss events than what you could ever imagine gathering on your own.

Change the Game by Creating More Stickiness

Insurers need to start using their own data and data from their partners to their advantage. You've got the data you need. Now it's time to start using it to your advantage. As McKinsey[4] noted, "Insurance carriers can't prevent damaging storms, avert global pandemics, or readily turn the tide on product commoditization. But they can take advantage of advances in data and analytics to transform their underwriting and pricing operations."

When you're no longer paralyzed by the overwhelming amount of data at your fingertips, **you can change the game.**

Here's just a couple ways to get started.

Do you offer content on your website for your brokers and policyholders? What types of content are policyholders searching for? Track your usage metrics to better understand the problems your policyholders are facing, and what they're expecting you to provide. If you have the content that meets their needs, make sure it's easy to find! If you don't, proactively reach out to your broker partners and policyholders to ensure that you're providing the tools and resources they need to lessen claims and run their business more effectively, thus making renewals easier when the time comes.

Does a large subset of your policyholder base not have an employee handbook? Do you think they should? Well, you can use engagement strategies and data to drive client behaviors, like creating an employee handbook.

What about cyber coverage? Are your policyholders investing in adequate cyber protection? Do they even understand why they need it? Cyber data gained from your existing policyholders, as well as data that can be sourced from external cyber liability experts can help you prove the importance of cyber liability coverage and help you better price the coverage you provide.

Even think about who is using your current value-add services. Are these services impacting your claims trends? If not, then why are you paying for it? In a commoditized world, your value-add services should provide a benefit that goes further than a "check-the-box" we-have-value-adds! They should have a real tangible benefit for both you and your policyholders. When it comes to claims, early intervention is key. Appropriate analytics and partnerships can help you intervene often and early.

Or, consider what new products are on your roadmap for the future. What new industries are you looking to break into with new coverage options? Having the data you need to thoroughly research and evaluate these new products will make them more likely to succeed upon launch. Once you're ready to bring these new products to market, leveraging this data with a powerful product engine for configuring and distributing new products, paired with an underwriting and distribution interface that will allow for rating, quoting, binding and issuing coverage, will put you in the position to make waves.

Wow, aren't you glad you've figured out the data game now? **You're reducing claims, creating better risk, and shortening the claims closure pattern. Bravo!**

Analysis Success!

Big data is here, and it's time to embrace it. If you don't like the term big data, just call it a lot of data. But take action. While the insurance industry has been traditionally data-driven, it has, and still is, lagging behind other major industries when it comes to analysis. Carriers need to be mindful of their current data, their existing value-add partnerships, and create a plan for measuring and monitoring success. If insurance carriers are able to capture the right data, gain necessary insight into their customer base, and adequately analyze this data, they can emerge as dangerous market leaders, and shake up the industry.

[1,4]McKinsey & Company. (2021, September 24). How data and analytics are redefining excellence in P&C underwriting.https://www.mckinsey.com/industries/financial-services/our-insights/how-data-and-analytics-are-redefining-excellence-in-p-and-c-underwriting

[2]Deloitte. (2022, July 26). How to walk the talk by treating insurer data as a strategic asset.
https://www2.deloitte.com/us/en/insights/industry/ financial-services/insurance-data-as-a-strategic-asset.html

[3]PropertyCasulty360. (2022, December 08). How data-driven insurers are succeeding with advanced analytics.
https://www.propertycasualty360.com/2022/12/08/how-data-driven-insurers-are-succeeding-with-advanced-analytics/