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Big Data in the Insurance Industry

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It's no secret that, since the moment the first email was sent in 1971, technology has been one of the most disruptive game changers in every industry, from manufacturing to financial services to consumer products. For the insurance sector, this is especially true; and, in particular, no technology has been – or continues to be – quite as transformational as big data.

Insurers, by nature, have always been heavily dependent on data and analytics, using deep actuarial science to analyze historical data in order to assess risk and predict losses. It's a science that directs a company's mix of service offerings and pricing models, not to mention other business decisions such as market expansion and recruitment strategy.

But big data pushes the boundaries of traditional actuarial science. It overhauls what has historically been paper-based, internal and departmentally-siloed information and takes it to an unprecedented level, building superior insight and changing the way insurers do business.

The area of specialization seems irrelevant; from property and casualty to life and health insurance, every insurance company is facing an explosion of data that promises to transform their business. In response, we look at the facts and opportunities of this trend, in addition to exploring the challenges businesses now face within the C-suite, coordinating executive leadership that can strategize and manage big data at an enterprise level.

The Facts

The extent to which the insurance industry has relied upon paper records and manual documentation has made it all the more difficult to adapt to digitalization. Correlating policy details, claims management and billing information with mountains of paperwork, including underwriter evaluations, adjuster notes, legal documents, medical records and more has all been an extensively manual process.

Unifying this multi-platform data, and, thus, extracting any meaningful analysis of that information, has been near impossible. Termed *unstructured data*, it traditionally has taken enormous effort to distill any significant insight from it all. That is until now, with the migration to a cohesive digital platform as well as the power to integrate third party data points, such as credit scores, government demographics, social media, and shared consumer information.

Technologies such as NoSQL and Hadoop provide an efficient, scalable framework in which

data is effortlessly integrated and facilitates highly advanced query capabilities. With the addition of text mining, sentiment analytics, predictive analytics and more, a company's data has much greater potential, enabling more informed decision-making and strategic planning.

The Opportunities

So what does that potential look like? First and foremost, the simple act of streamlining and aggregating the proliferation of data (across several platforms and entities) that insurers depend on is a massive feat. It captures invaluable efficiencies while simultaneously mitigating the risk of human error. This means that organizations achieve greater time- and cost-efficiencies, reducing any extraneous need for of data entry and administration and enabling them to redistribute their manpower to where they need it most.

Another substantial benefit of big data in the insurance industry is the advanced level of accuracy. It enables more precise profiling and predictive modeling that together create greater opportunity for cross referencing, and, consequentially, more sophisticated fraud detection (and even prevention) throughout the entire claim cycle.

The realm of big data is also opening up a world of opportunity when it comes to service offerings. With an evolving world comes emerging risk – think cybersecurity, for example – which is often goes un- or underinsured until the risk is acknowledged on a grander scale. But with access to advanced analytics, these trends can be recognized and addressed much more quickly with more progressive service offerings.

Finally, there is the understanding that as consumer privacy gradually erodes, customer empowerment increases correspondingly. Insurers are able to gather more insight on a consumer's lifestyle in correlation with their risk than ever before. But this also means that those customers can expect customized coverage, real-time access to their policies, and a greater array of service options. It's a delicate balance that must emphasize customer experience as well as lingering privacy concerns.

The Leadership

The greatest challenge of the expansion of big data and analytics is establishing leadership roles that can manage it all on an enterprise level. A recent Capgemini survey reports that a massive 51% of respondents believe the lack of talent is the biggest obstacle in making big data-driven business decisions.

Furthermore, insights from McKinsey & Company suggest that many initial implementations of big data analytics have been managed purely from an IT perspective. For many companies, it is becoming clearer that this strategy is inadvertently myopic. To genuinely harness the power of big data, it needs to be understood and executed at an enterprise level, supported by scalable strategy and led by visionary executive talent.

In the wake of this realization, we're seeing a growing emergence of the Chief Data Officer in the insurance industry. This role requires a delicate balance between technical comprehension and business savvy in a way that supports strategic business goals. Marc Zimmerman, director of financial services analytics at Deloitte Consulting, says, "our focus is on enabling business growth and improved operational effectiveness through analytics, enhanced data management, quality and accessibility of data."

Additionally, Zimmerman points out that a successful Chief Data Officer must be future-oriented, as the world of big data and analytics is still evolving exponentially, and will continue to have a huge impact on all areas of the insurance industry, from sales and marketing to underwriting and claims management – and, of course, the customer experience.

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There's no question that the insurance industry will continue to experience significant repercussions from the continued growth of big data. With strategic implementation, it's a practice that can harness incredible efficiencies while enabling major growth and a wealth of opportunities. That said, managing big data in the insurance industry will likely present a challenge to companies grappling with this change.

At Slayton Search Partners, we are all too familiar with the challenges and obstacles facing the insurance industry, which is why we specialize in insurance executive search. Our vast network of key players enables us to successfully recruit the individuals companies need to tackle their business challenges and achieve long-term success. For assistance in recruiting Chief Data Officers, as well as a wide array of other visionary executive leaders, don't hesitate to reach out today