The P&Cs Path to Pervasive Digital

Why the Way You Deliver Analytics Is as Important as the Analytics Themselves

Digital Insurance

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Big data, telematics, analytics, machine learning, and AI are transforming P&C insurance. With better, more timely insights, P&Cs can dramatically transform every aspect of their business—from how they structure and market coverages to how they process claims and maintain long-term customer loyalty.

But established insurers too often make the mistake of acquiring new analytic capabilities for specific-use cases such as claims fraud or underwriting—and under conventional IT deployment models that require software licensing, staff re-skilling, and separate on-premise provisioning for each use case.

That's a problem—because siloed, tactical approaches to analytics are extremely inefficient. They also create "islands of analytics" that prevent P&Cs from effectively leveraging newfound business insights across the enterprise. Conventional, fragmented deployments of analytic technologies thus leave P&Cs lagging far behind both market leaders and the growing number of highly innovative and disruptive "digital first" competitors.

The much smarter strategy is to obtain analytics as a cloud service from a P&C-focused partner. With analytics-as-a-service, even P&Cs at the earliest stages of digital transformation can:

- **Rapidly gain technological competitive parity** with innovative/disruptive market leaders
- **Confidently maintain parity over time,** especially as technologies such as machine learning and AI continue to rapidly evolve
- **Pervasively embed analytics** in all aspects of the business—from customer-facing mobile engagement to back-office pricing, risk, claims, customer service and compliance operations
- **Drive down the cost** of delivering pervasive analytics
- **Flexibly scale analytic capacity** as the business requires
- **Tap high-value expertise** that complements technical execution with broad experience in how P&Cs can optimally leverage available data sources, including telematics and IoT
- **Free capital** for other strategic purposes

These advantages make it essential for P&Cs to not only more aggressively embrace analytics as a vital enabler of digital business—but also to embrace cloud as a strategic enabler of the pervasive analytics that P&Cs require to successfully compete in a pervasively digital marketplace.

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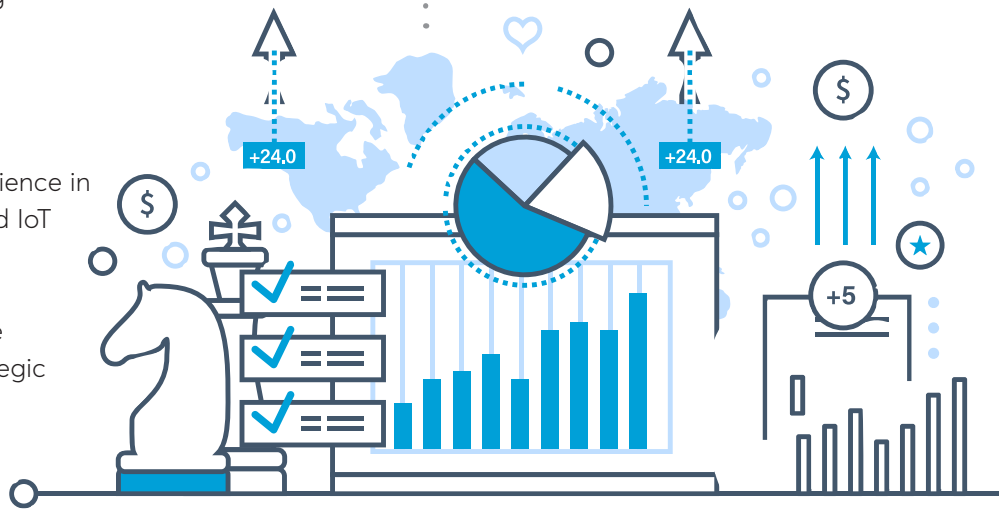
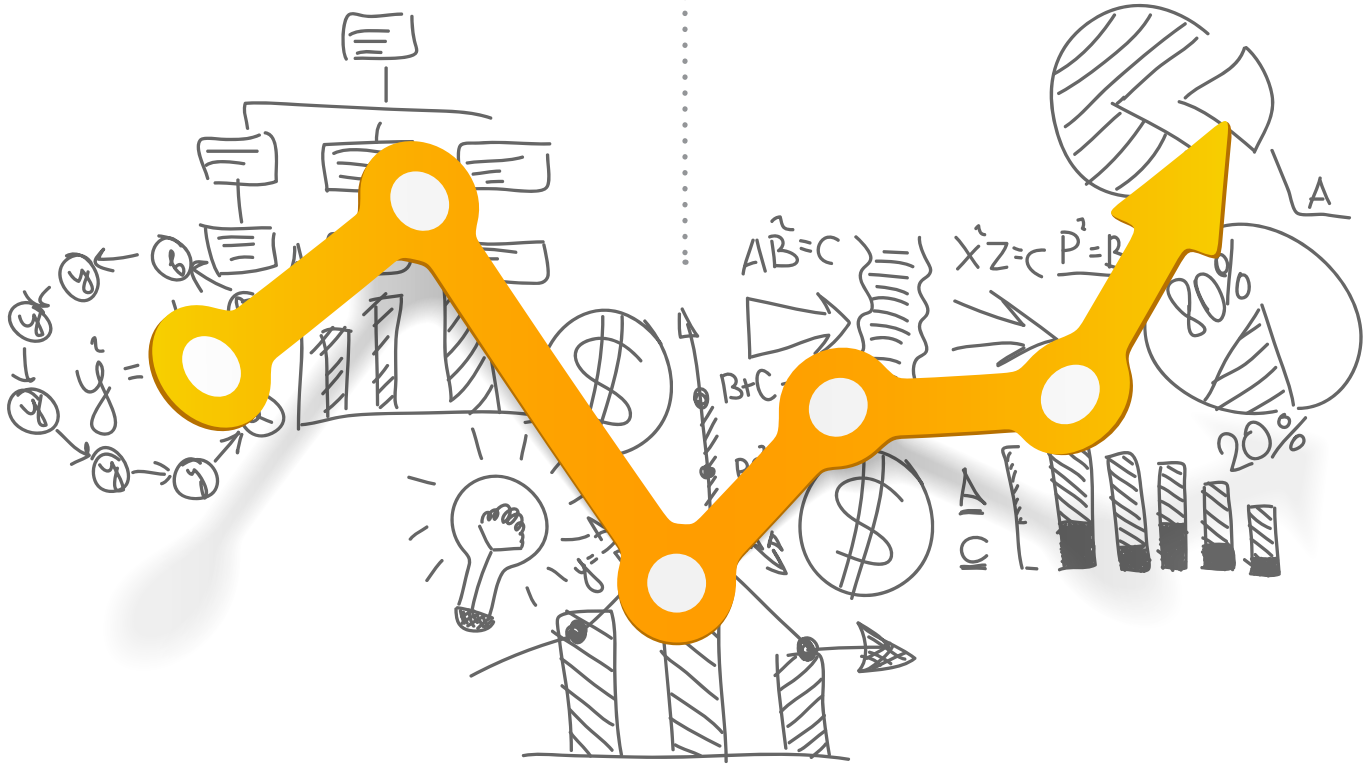


Analytics Becomes a Strategic P&C Imperative

The P&C market is undergoing massive digital transformation. On the front end, P&Cs must now deliver consistently superb digital customer experiences via apps and the web—as well as traditional call center and brick-and-mortar channels.

At the same time, back-office processes that once required lots of time, paper, and manual effort are now being executed automatically with unprecedented accuracy in near real time.



But the impact of digital transformation goes way beyond simply enhancing conventional P&C operations. Truly innovative market disrupters are leveraging digital to change the rules of the P&C market by offering entirely new value-adds and risk-transfer models. These innovations don't just help new, disruptive entrants capture marketshare. Over the long term, they actually threaten the very existence of less digitally capable P&Cs altogether.

Underlying all this digital transformation is analytics. Analytics is a term that can be used to broadly describe the full set of technologies by which P&Cs can convert raw data into actionable insights. These technologies include statistical methods, natural language processing (NLP), machine learning, artificial intelligence (AI), and the visualization techniques that help human beings discern the hidden meaning of complex data sets. Analytics are what enable P&Cs to creatively leverage the vast data resources becoming available to them—from their own systems, from

digital customer interactions, social media, vehicle telematics and the Internet of Things (IoT) more broadly—and from an ever-growing ecosystem of third-party suppliers. By aggregating and analyzing this data in new ways, insurers gain insights that can be used to drive revenue and add value for the customer. Analytics are also empowering P&Cs to substantially reduce costs and business risk.

P&C use-cases for analytics are highly diverse and include:

- **High-precision risk underwriting** that enables P&Cs to price competitively to tightly targeted markets while maintaining profitability goals
- **Digital customer onboarding** that quickly identifies the best prospects and seamlessly converts them into paying customers
- **AI-enhanced claims processes** that speed resolution, eliminate costs, predict complexity and pinpoint attempts at fraud
- **Event-triggered marketing** that delivers the right messages to the right customers and prospects at the right time via the right channel based on life events as detected via social media and other data sources
- **Rules-driven third-party engagements** that let P&Cs optimize supply chains—and new sources of incremental revenue—by identifying and tapping into a bespoke network of contractors, inspectors, underwriters, and others on demand

While these analytics use-cases are all interesting individually, it is important to note that the ability of P&Cs to survive and thrive in a market undergoing radical digital transformation is not contingent on any single such use-case, but rather the integration of these insights across the organization.

It is the ability of P&Cs to rapidly, effectively, and resource-efficiently apply state-of-the-art analytic technologies to the business wherever and whenever necessary that will separate the winners from the losers over the next few years.

P&Cs that achieve this pervasive analytic excellence will remain competitive even as innovative market disruptors come and go—because they will be able to match anything any competitor throws at them. Those that do not embrace pervasive analytic excellence as a strategic imperative, on the other hand, will soon find themselves vulnerable to any and every digital shift in the P&C market.

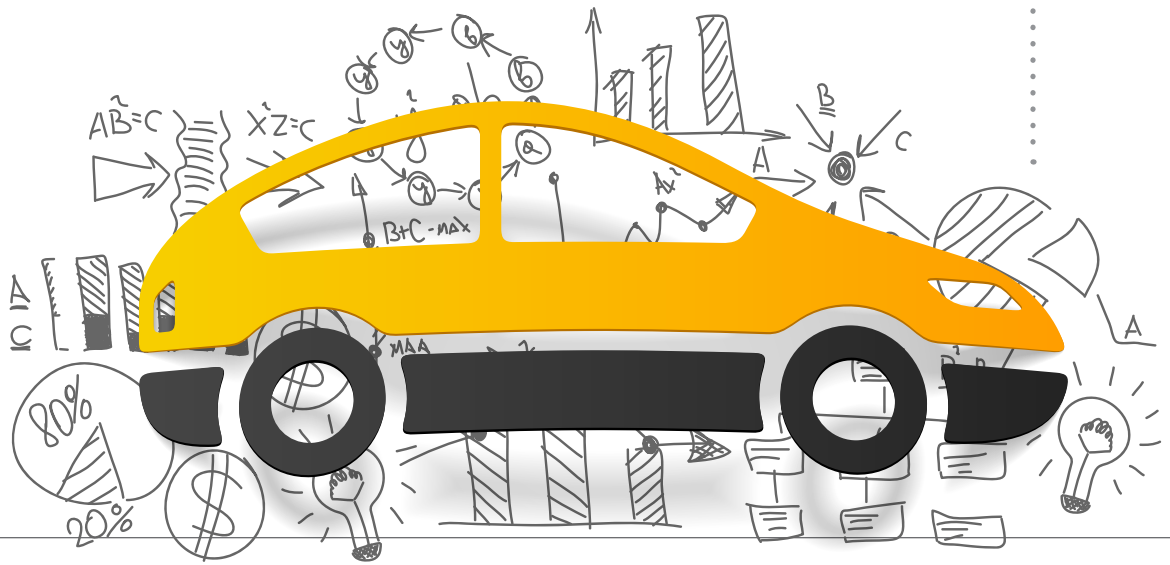
The question of how to best achieve pervasive analytics excellence is therefore a critical one.

Conventional Analytics Acquisition and Its Downsides

P&Cs in the early stages of digital transformation almost always approach analytics tactically. That is, they've focused on a particular use-case or narrow set of use-cases—auto insurance underwriting, small commercial property damage claims fraud, etc.—to pilot the use of analytics and determine whether hoped-for ROI would really materialize.

This initial toe-in-the-water approach was perfectly understandable as a starting point. But, for the reasons enumerated below, it is not sufficiently strategic or effective for the long term.

P&Cs' initial forays into analytics have also tended to entail very hands-on internal technology deployments. Again, this was understandable—since IT organizations thought it prudent to directly familiarize themselves with first-wave analytic technologies such as Hadoop and MapReduce.



But, while it may have been initially reasonable, this piecemeal, hands-on approach to analytics adoption is proving to be a serious impediment to digital transformation.

Here's why:

1) **It's too slow to market.** Theoretically, P&Cs' enterprise IT organizations should be able to leverage each new analytics project to execute the next one faster and better. But it doesn't work like that in the real world. Requirements for each project can differ significantly in terms of data intake, analytic processes, visualization, scale, compliance, etc.

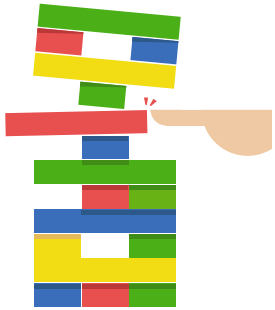
There's also the matter of budgeting, planning, and deploying the software and hardware infrastructure required for each new analytics deliverable—as well as piecing together the multiple disparate technology components of such a business deliverable. All of this slows delivery of each and every new analytics use-case to the business.

2) **It's insufficiently iterative and agile.** P&C analytic deliverables are never simply "one and done." They inevitably require frequent retuning of analytic models, refreshes of analytic tools, and reconfiguration of software/hardware environments to accommodate ever-evolving business requirements and new data sources. In

an analytics environment that depends entirely on internally deployed resources, these iterations take too much time and effort to execute.

3) **It's too expensive.** Individual P&Cs must bear serious capex and opex burdens to achieve pervasive analytic excellence. They have to procure, deploy, configure, integrate, and maintain the diverse technology components of the end-to-end analytics solution for each business use-case. They have to buy and maintain lots of compute power, storage, networking, software, and database capacity. They have to recruit and retain highly skilled data science and IT service management staff that's in limited supply. And as they continue to scale their analytics capabilities going forward, these costs will continue to rise inexorably.

4) **It's risky.** P&Cs aren't in the analytics business. They're in the coverage business. So no matter how well they plan and prepare, there's a chance at each step of every analytics project that something will go awry. It may be a technical snafu. It may be a cost overrun. Or it may be a compliance failure. But cumulatively these individual risks create significant downside exposure for P&Cs that aggressively attempt to achieve a high level of analytic excellence on their own.



Simply put, conventional implementations of analytic technology don't make business sense for any mid-market P&C that hopes to successfully compete in a marketplace that includes competitors with far greater technology resources and far greater in-house data science expertise.

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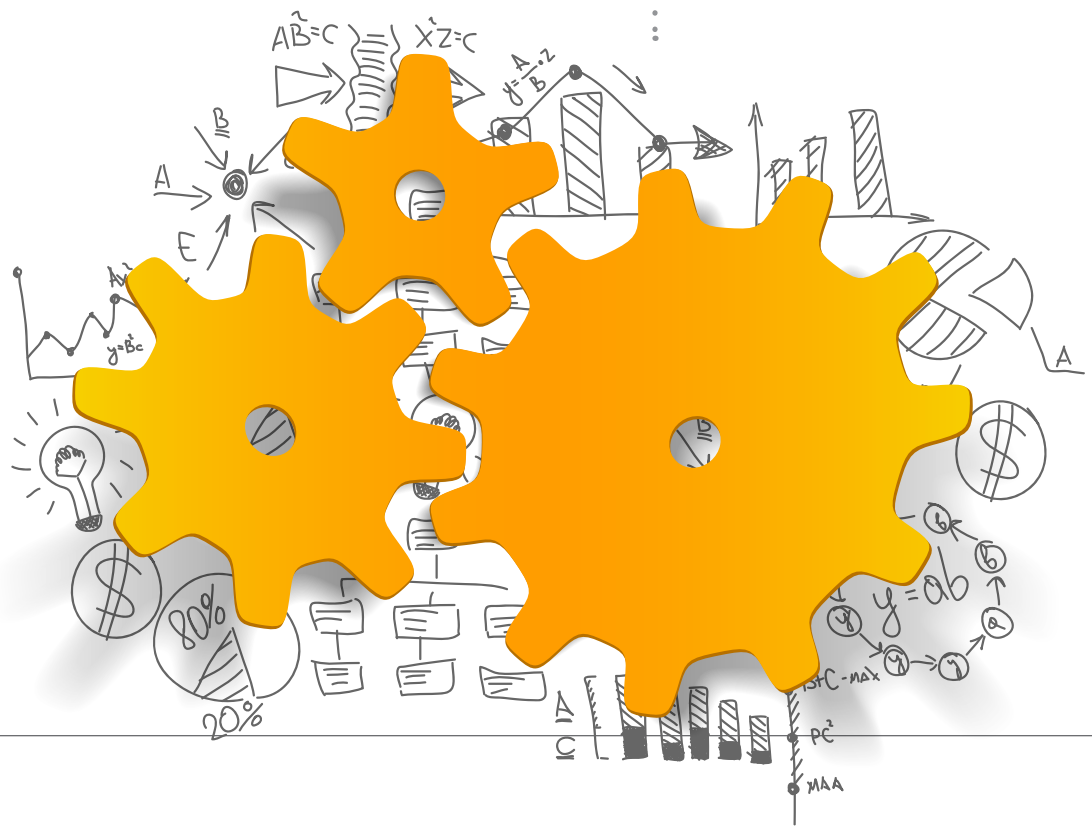
The Power and Necessity of P&C Analytics-as-a-Service

So how can P&Cs remain competitive in markets that increasingly require leading-edge digital sophistication? How can they keep pace with relentlessly evolving requirements for analytic excellence across all facets of the business?

The answer is pretty simple. Instead of cobbling together disparate software and hardware components into an excessively complex, fragmented, and costly-to-own internally deployed environment, P&Cs must instead obtain their integrated analytics capabilities on demand from the cloud.

More specifically, P&Cs need to seek out and engage with cloud partners that can adaptively deliver a full spectrum of state-of-the-art analytics, machine learning, AI, and visualization capabilities—along with associated expertise regarding how those capabilities can be optimally applied to P&C business challenges.



Advantages of this cloud-based, P&C analytics-as-a-service model include:

Immediate access to a full range of advanced digital capabilities

P&Cs that tap into the right cloud analytics will have on-demand access to vastly greater technological capabilities than they could ever hope to assemble under their own roofs. A cloud provider whose own business depends on delivering competitively differentiated analytic capabilities will also be able to stay much closer to the leading edge than an insurance company whose business depends on optimized allocation of capital relative to risk. And cloud providers can keep their insurance company clients on that leading edge with continuous upgrades and solutions that are ready for immediate use in production.

Ongoing assurances of long-term technological competitiveness

Cloud engagement doesn't just address a short-term technical deficit. It also gives P&Cs a high level of confidence that

they will maintain competitive parity with even their largest and/or most technologically advanced competitors over the long term. That's because the burden of ongoing technological refreshes falls on the cloud partner—whose business depends on staying ahead of the technology curve.

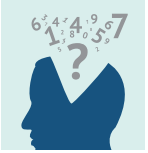
Big capex and opex savings

P&Cs that adopt analytics-as-a-service dramatically improve the economics of digital transformation in two important ways. First, they avoid the substantial capital spending required to build infrastructure, fund pilots, etc. Second, they leverage the economies of scale that their cloud partner enjoys across the entire range of operations costs associated with maintaining, securing, and optimizing a highly sophisticated, multifaceted analytics processing environment.

Optimized performance and scalability

Digital success doesn't just depend on good analytic insight. It also depends on timely delivery of that insight—even as the analytic environment is deluged with massive volumes of highly diverse data. Few P&Cs can afford to build the infrastructure necessary to maintain real-time performance at this massive scale. Cloud partners, in marked contrast can adaptively allocate processing capacity wherever and whenever it's required to accommodate both short-term demand spikes and long-term business growth.

Elimination of critical data science expertise constraints



Data science expertise is essential for just about every type of analytics project. Unfortunately, there is a worldwide shortage of qualified data scientists. In fact, most P&Cs find themselves unable to onboard these essential skills.

Cloud partners specializing in analytics-as-a-service are much better able to attract and retain top-tier data science talent—which they can then make available to P&Cs on a cost-effective as-needed basis.

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The bottom line

P&Cs seeking to move quickly on digital transformation and sustain their digital competitiveness in the long term must embrace analytics-as-a-service from a technically competent and P&C-savvy partner. To go it alone is to condemn the business to an endless cycle of disruptive, capital-intensive and risky technology deployments and refreshes. It makes much more sense to focus on the business of insurance—and shift the burden of pervasive analytics delivery to a trustworthy partner.