Mutual and Cooperative Insurance

Four Data-Driven Growth Initiatives
that Your CDO Can Help Deliver

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The ability to implement good data governance practices in the insurance business has become a key competitive enabler to:

1. Reduce cost with efficiency

2. Improve loyalty and identify opportunities with better customer service

3. Grow revenues with new products and services

4. Develop new insights with analytics and AI

This paper illustrates how data governance policies and approaches are linked to these objectives.

Why you need to read this

- Are you able to understand and anticipate the needs of your members?

- Do you view insurtechs and non-traditional insurers as a competitor or a potential partner?

- Are you free to innovate, enter new markets and create new ways of working?

Today's mutual and cooperative insurance companies are operating in a competitive market that is rapidly evolving:

- Not having easy access to capital markets, mutual and cooperative insurance companies need to choose their investments wisely. In particular, the decision to either enter into new markets or focus on established ones, forms a major part of the business strategy.

- Customer behavior has changed. Non-traditional competitors have emerged and new technologies have disrupted existing business models. The insurance industry is under renewed pressure to transform.

- Mutual insurance companies are being compelled to digitize their business while ensuring their cooperative values are preserved. A deeper understanding of the member and of their extended relationships and aspirations is crucial in the development of products and services that address new attitudes to risk management.

Changing consumer behavior forces insurers to develop data-driven initiatives
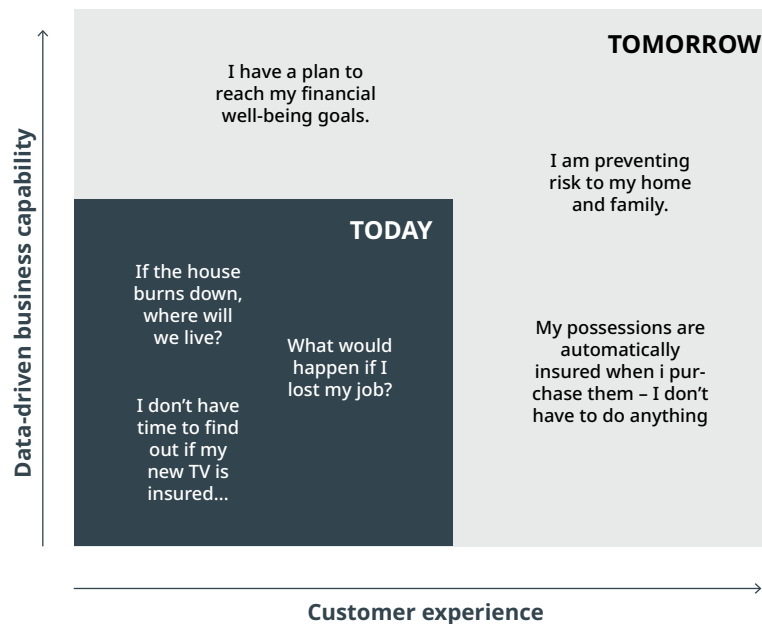
Over 5,100 mutual insurers collectively wrote USD 1.3 trillion in insurance premiums in 2017.

ICMIF, Global Mutual Market Share 10, 2019

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> ❝ *We're in [...] a time of great change, when new technologies and new consumer ways of behaving will bring important innovations in all sectors of the economy.*❞

Pablo Mongelos, CEO of Seguros Lagun Aro, ICMIF magazine Voice 90 , 2018

A data-driven approach for CDOs to develop business

Knowing how to gather, organize and exploit information is key to support many of today's business initiatives sponsored at the C-level, despite the fact that the discipline of data management itself, might not be top of mind. It falls to the CDO, previously focused on supporting compliance issues, to articulate the wider value proposition of data. In doing so, the CDO becomes increasingly recognized as a business leader in their own right.

The CDO leads the business to catalogue and organize information in a way that supports a more data-driven business strategy that complements more traditional decision-making parameters. Ultimately, the CDO's role should improve C-level decision making.

In the following four business initiatives, we will illustrate the types of actions that can be led by the CDO to fuel better data-driven decision making that results in business success.

Insurers now have the potential to leverage technological change to shift their core approach from risk protection to risk prevention in order to further contribute to societal wellbeing and economic growth.

ICMIF Americas Annual conference, 2019

Insightful data weighs heavier in decision making than non-evidence based information although the latter is still needed in organizations.
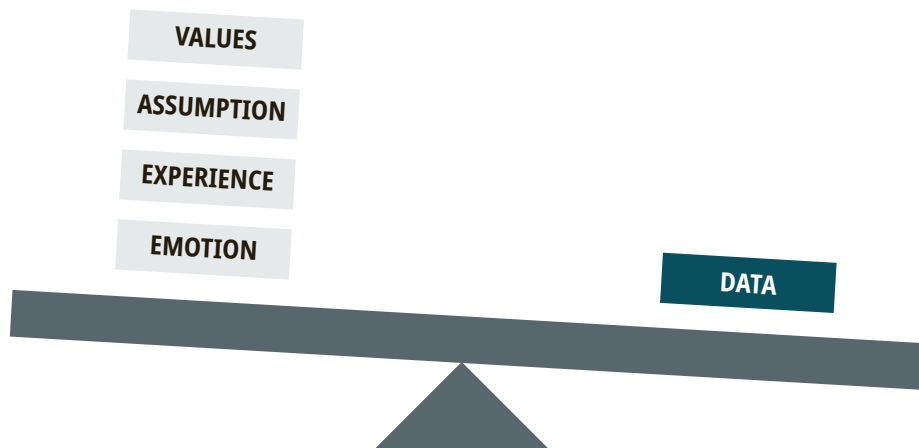
1 Reduce cost with efficiency

Economy of scale, automation and harmonization are all objectives that can be supported with data governance.

Aiming for cost reduction is often compatible with reducing technical debt. A good example is the use of robotic process automation (RPA) to facilitate customer service and automated underwriting management.

Reduce cost with efficiency	
Initiative	Data governance approach
Economy of scale through merger/acquisition	Standardize on basic/commodity data management tooling to create economy of scale and synergy in data policy management. However, work with leaders that have a strategic vision that will reduce overall technical debt and promote competitive advantage.
	Look for migration paths to cloud based applications and services to help support agility and facilitate migration.
	Create a center of excellence for data policy management as an integral part of the merger program.
Improve efficiency of customer services	Establish business KPIs for front office services such as call centers, postal centers, account portals, assistance bots and claims management.
	Establish data performance KPIs and link them to the business KPIs.
Reduce manual intervention	Examine how machine learning can reduce repetitive tasks and what data policy is needed to support it.
Resurrect closed-book data to support automation	Create new sources of analytics to support process automation objectives. Governance policy specifically designed for dealing with legacy data sources is key to ensure that data is fit for purpose.

2 Improve loyalty and identify new opportunities with better customer service

The prevalence of online aggregators (comparison sites) has disrupted traditional distribution mechanisms by moving from brokerage-led distribution to direct-to-consumer subscription. The ability to easily make comparisons, especially on price, pushes offerings down the road towards commoditization.

In an attempt to combat this, the ability to compete on customer experience has become a crucial part of a superior customer value proposition where differentiation can drive loyalty. For example, adding access to advice via digital services.

Omnichannel does not mean do the same everywhere

Existing remote and digital service channels can move from providing only a service to including advice. Providing

remote advice as part of the customer journey can increase the number of eventual contacts with a customer and reduce the cost to serve them.

However, a seamless, coherent and harmonious engagement with digital advice services is required. This is not the same as an omnichannel perspective.

Indeed, using a channel differentiation in delivery of products or services can be both advantageous and competitive for the customer.

Insurance: remote advice enables insurance companies to reduce cost to serve by 40%, increase frequency of client contact by 150%, double customer loading, nearly triple sales productivity and more than double the number of clients rating their experience as very positive.

McKinsey&Company, Remote Advice in Life Insurance:
A New Route to the Customer, 2016

Effectively prepare data for a unified customer view and reduced technical debt

Service excellence starts with identification of the customer and understanding the relationship that they have with your organization. As simple as this sounds, this is often the initial stumbling block for many mutual insurance companies. Built from disparate lines of businesses each supported by mounting technical debt, the creation of a unified view is often seen as prohibitive, because of the complexity and expense. However, solutions are available. The ability to aggregate member, beneficiary and policyholder information is facilitated by using a master data governance approach that leaves data in-situ and creates an overlaying, reliable and enriched source of party data.

> ❝ *We now have 95% of our customer data accessible in one place. This means we can respond faster and focus on delivering greater value to our customers"*
>
> Jon Glen, Group Operations Director, Royal London, 2019

Improve loyalty and identify new opportunities with better customer service	
Initiative	**Data governance approach**
Improve customer engagement	Establish an aggregated party data view to provide a 360° view of members, beneficiaries, policy holders and other related parties.
	Each customer-facing application must have access to this view and use it to support data enrichment and correction.
Bring advice to point of service	Within the customer journey, shorten the customer's route to advice.
	Enhance the 360° view with analytical data relating to propensity, interactions, inquiries, life events and significant transactional events that can be used for decision support on next best actions related to obtaining advice.
	Apply data governance policy to how analytical information is to be used in decision support.
Manage data privacy actively	Customers need personalized access to data held about them and providers need to arrange consent for authorized data sharing with 3rd parties and direct marketing efforts. Consent discrepancies may exist across lines of businesses where consent recording is not harmonized.
	Establish a process to uniquely identify individuals at point of interaction to validate and record existing and new consent information.

> ❝*When considering a data governance strategy for customer data, organisations need to ask if they want to treat customers as equals or individuals"*
>
> Darren Cooper, Stibo Systems

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3 Grow revenue with new products and services

With so much legacy to carry forward, the paths to product innovation might seem limited. Data governance strategies can help to breathe new life into old offerings and facilitate the provision of a foundational base from which new products can be born.

Gartner cites building new insurance products as one of the IT imperatives for the insurance industry.

Gartner, The Top 10 Digital Insurance IT Imperatives for Ensuring IT Agility and Innovation Success, 2018

From a data-driven strategy perspective, it is possible to take advantage of three ways (partnering, personalizing and packaging) to explore how to approach the development of new products and services.

Partnering

Building a new product from scratch can be complicated and resource intensive. Partnering can not only help to accelerate the process, but also help to differentiate and innovate the offering.

As an example, the insurance provider, Seguros Lagun Aro (Lagun Aro is Basque, and means that the insurer acts as a friend to its clients) is developing an app that will link members directly with car repair centers to facilitate the process of managing motor accidents.

Embedding products into a broader ecosystem of partners who can add value beyond protection will be key to winning new customers.

McKinsey, Harnessing The Power of Digital in Life Insurance, 2016.

Deeper partnership relations can be found in following the example of PSD2 and Open Banking initiatives that encourage (require) provision of APIs to allow partners a technical access to member information. Such interfaces will help to promote new business models between traditional and insurtech companies.

The global InsurTech market revenue is valued at $532.7 million in 2018 and is expected to reach $1,119.8 million by 2023, growing at a CAGR of 16.0% during the forecast period 2018–2023.

Orbis Research, InsurTech Market Forecast upto 2023, 2018

Personalization

Personalization of insurance products and services implies the creation of more ways to configure, access, monitor and consume the provided services. Implications for data governance are significant since some of the static reference data that was traditionally needed to describe the policy is now dependant on operational data. For example, this is the case for risk prevention where remote monitoring and automated re-configuration is needed.

“ The transition to digital-native structures means insurers can offer new services including increasingly personalised policies and prevention solutions”

Bernard Spitz, President French Insurance Association, December

Packaging

A common viewpoint is that progress on data-driven business initiatives is hindered by existing legacy systems. They are costly and complex to integrate with new digital processes. However, today's data management technology gives us more options to leave them as they are and effectively build new layers of data on top of them that will better serve new processes.

One example of this is in the re-packaging of products. Packaged offerings help to build new member relationships. Building a new offer development process over the top of existing systems will help to unify the process. Offer data can become richer, bigger and even more complex without compromising on transparency of the development processes.

Grow revenue with new products and services	
Initiative	**Data governance approach**
Industrialize development of new offerings	Unify the disparate product and offer creation processes. Create governance policies for the data (quality, coherence, usage etc.) and the organization curating the data (authority, relationships, transparency etc.).
Support compliance	Ensure that new offer management creation processes include steps for compliance data collection and auditing, for example in the support of regulations such as PRIIPs for investment-based products.
Business partner management	Curate data collaboratively with partners. Work with partners to establish common data policy on how to define and exchange data.
Customer centricity	Identify what new data types may be required to manage a customer-centric offer portfolio (e.g., channel, location, device) and who will own such information from a business perspective.
Work with insurtech partners	A data governance policy approach is needed specifically for the purpose of supporting deeper information exchange relationships with some types of insurtech partners. As with PSD2 and Open Banking type initiatives, insurers will need to tie down rules that govern data transparency to make sure that it is fit for purpose.

4 Develop new insights with analytics and AI

AI technology has a significant potential to develop the customer experience in order to anticipate demand and develop new personalized offers to members. Today's insurer already has access to, and manipulates, the large quantities of disparate data that will be needed to fuel deeper machine learning (ML) capabilities. Claims management, transaction monitoring and real-time policy administration and other previously ill-connected business processes need intelligent and reliable convergence in their sources of data for ML to be effective.

Interconnecting and sharing existing data sets, both internal and external, at an enterprise level, enhances value. Breaking down political barriers of data ownership and establishing a more democratic access to data supports a data-driven strategy. The cultivation of data and analytics is now an integral part of the business culture, strategy and processes.

> ❝ *AI can help to discover new ways to differentiate only if it has access to data that is characterised as being unique in its content, availability, completeness and trustworthiness* ❞

Darren Cooper, Stibo Systems

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Develop new insights with analytics and AI	
Initiative	**Data governance approach**
Establish data base-line	Bring operational data together into a base-line "as-is" (e.g., into big data repositories.)
	Establish master data governance principals, independently of the collected data, to help navigate the base-line data. For example, establish a well-defined policy that describes it in terms of quality, coherence and completeness. This will ensure that downstream analytics have the best chance of yielding results from which more effective decisions can be made.
	Focus should be on party, product, contract, claims, assets and interaction data in order to best support the most common analytic asks.
	Data science will need their own ability to curate data from the base-line position rather than wait on corporate initiatives that require the consensus of multiple lines of businesses.
Increase data collection capability	The need to gather and analyse more data in real-time will be a growing area of concern as insurance business models continue to evolve to include prevention. Governance policy capability is needed to address how external data sources may be integrated into business analytics and how time-dependent data is to be governed relative to more traditional data sources.
Develop customer insight	The use of AI can help with refining customer segmentation to narrow down groups, increase levels of personalization and reduce human bias. Data governance policy is needed to ensure that results have lineage to real business data so that the insights become actionable.

> " *A digital platform provides components — business, data, and infrastructure — that you can assemble and reuse as you create digital offerings for your customers [...] the platform allows you to take your offerings and personalize them for different customers with different needs."*

Jeanne Ross, principal research scientist at the MIT Sloan Center for Information Systems Research.

Main points

- Differentiated value to members has become a priority for many mutual and cooperative insurance companies because of changing consumer behaviors.

- A data-driven approach to decision making, underpinned by a connected data governance strategy, can be very effective in supporting localized data-driven business development initiatives.

- The governance strategy does not always have to be immediately applicable at an enterprise level. Positive outcomes resulting from LoB initiatives can help to support wider adoption.

- A data governance strategy is key to supporting automation and harmonization objectives.

- Differentiation in (digital) customer experience drives loyalty.

- Data governance enables development of new products from existing data.

- Analytics and AI initiatives are accelerated when deploying a digital platform or hub that manages key business data with well-defined, business-led, data management policy.

If you want to know more about how to use master data management for growth initiatives in mutual insurance contact Stibo Systems: stibosystems.com/insurance