'Insurers need modern data partnerships'

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Forward-looking insurers are using data partnerships to support their underwriting decisions, to the benefit of their bottom line

Source: Carloscastilla/Alamy Stock Photo

Partnerships between insurers and data companies are becoming more lucrative as the amount of data available to insurers continues to grow.

Emerging capabilities such as telematics, artificial intelligence and big data have become more prevalent as insurers have "doubled down" on using technology for optimisation of both cost and processes, McKinsey & Company reported in February.

In time, data-driven analytics will become essential to profitable underwriting for any insurer. By working with data partners, insurers can improve underwriting processes, better understand customer needs and create new products quickly. Data partnerships also enable insurers to strengthen their relationships within key channels.

Collaborating with data companies can help insurers realise substantial business benefits and stay competitive in today's marketplace. Connected underwriting through a bespoke underwriting workbench can drive both revenue and new lines of business.

Data is transforming how brands across industries interact with customers, including among insurers. For example, commercial insurance firms' marketing and advertising have become more data-driven, among other changes.

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However, data silos persist among insurers. Disparate platforms make it difficult to provide a uniform experience across internal departments. What is more, many insurers do not have the skills or infrastructure to access their vast stores of data. As a result, they cannot use data to improve operational efficiencies, break into new markets, offer new products or enhance customer experiences.

Partnerships with modern data firms can help. It is through these partnerships that "leading carriers regularly tap once-unimaginable volumes of third-party data from diverse domains", as McKinsey described in 2021. Specifically, carriers can benefit from analytics-enriched insights that enable underwriters to focus on revenue-generating activities rather than tedious processes.

Although data partnerships are not new, the size of the global alternative data market itself is anticipated to reach $17.4bn by 2027 at 40.1% compound annual growth rate (2020 to 2027), FinTech Futures reports. Data types within this category include digital receipts, keywords and search traffic, clicks, mobile app data, point of interest (POI) and location searches, connected car data, intent data and others.

Insight

For example, intent data reveals what actions customers are likely to take in the future. It is these types of insights that enable insurers to improve underwriting, better understand customer needs and create new products quickly.

Creating successful data partnerships begins with defining business initiatives those partnerships will support. Understanding these goals will also help business leaders determine which data technologies are best suited for their employees. Here are five business opportunities for insurers to consider.

1) Enhancing underwriting

Data access can both support more profitable underwriting and enable fresh underwriting opportunities. By analysing renewals, old and new submissions and incoming data from different sources, underwriters can forecast more effectively, assess the marginal impact of new quotes on their portfolio, identify gaps and determine how to close them.

2) Creating bespoke products

Over time, customers expect a more personalised experience; data partnerships can help insurers meet those expectations. Data-driven analytics can inform insurers as they develop new bespoke products or personalise the customer journeys they provide to their existing customers.

3) Improving channel relationships

By honing their ability to leverage data for channel engagement, insurers can build better relationships with agents and brokers. In some cases, data companies can help insurers identify new agents and brokers who may wish to cross-sell products or who may have an affinity for a certain product line.

4) Addressing emerging risks

Data partnerships can help insurers develop a data-driven underwriting engine that can be used to assess risk across different lines of business. They can adapt prices, products, services and customer relationships based on those insights. Risks may encompass traditional measures, as well as climate, natural disasters and cyber threats, each of which is a growing challenge for customers.

5) Driving new revenue opportunities

Insurers can improve how they identify new and emerging markets, act on more cross-selling opportunities, engage with clients earlier and consider new lines of business while exiting non-performing ones. Collaborating with data partners may also help insurers monetise their data.

As their relationships develop, data-driven insurers and their partners can access new data resources and identify new commercial possibilities.

When insurance team members all use a single underwriting workbench – like a "single pane of glass" they share that integrates with all internal systems – they eliminate organisational silos and bring useful insights in a shared and actionable way.

It is these insights that insurers can use across the company, regardless of the varieties of data partnerships and the data sources they use. Insurers thereby broaden their value chains with the right data at the right time for any business function, including instant underwriting decisions.

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