

John Mulhall
Berend de Jong
Ivo Weterings



**DATA
RICH** **PROFIT
POOR**



As their traditional businesses are disrupted, insurance companies will need to find new sources of revenue or risk extinction. Leading insurers of the future will find ways to monetize their data and insights, turning them into revenue and competitive advantage.

Accenture Strategy estimates that data monetization could be worth \$6-8 billion of new annual profit for the insurance industry¹—making up for a significant portion of the anticipated profit loss due to disruption.

DATA MONETIZATION WILL BE **THE NEW BATTLEGROUND** FOR INSURERS

The insurance industry is at a tipping point. New entrants and new technologies are emerging that can mitigate or even avoid insurance loss. For example, all new vehicles sold will be connected by 2025.² Moreover, with self-driving cars, several leading automakers have announced that they will include insurance coverage with the price of their vehicles.³ Accenture Strategy estimates a revenue decline in the personal auto insurance market alone of 40 percent by 2035.⁴

Yet many insurers already possess a significant weapon with which to win the battle for new sources of revenue. They hold vast amounts of data with unique insights that can be connected and enriched with external data sources to fuel new business models. However, traditionally insurers have struggled to translate this information into profit.

Data available to them is expanding exponentially from a broad range of sources—not only traditional data providers, but also public entities and enterprises generating data “exhaust” from business activities. Internet of Things (IoT) and connected car/home technologies are opening new data sources that will fundamentally change the insights that insurers can offer—and taking advantage of this information is a viable option for insurers to pursue.

Data monetization—generating new revenue streams by processing this data into usable forms or observations and insights and selling those to third parties—will be a key success factor for insurers in the future.

ACCENTURE RESEARCH FOUND
THAT **75 PERCENT OF PEOPLE ARE
COMFORTABLE WITH COMPANIES
COLLECTING THEIR PERSONAL DATA**
IF THE COMPANY IS TRANSPARENT
ABOUT HOW THEY'RE USING IT, AND
LETS CUSTOMERS CONTROL HOW
THEIR DATA IS BEING USED.⁵

THE WINDOW IS CLOSING FOR INSURERS TO ACT

Sixty-two percent of organizations are already taking steps at a slow and moderate pace to participate in digital ecosystems.⁶ New ecosystems of connected vehicles, homes, buildings and cities are developing rapidly. Areas of practice that once seemed impossible to digitize are fundamentally changing due to the impacts of artificial intelligence (AI), IoT capabilities and big data analytics, all of which have many potentially positive implications for society.⁷

Insurance companies risk being left out as other players are well-positioned to capture the opportunity to monetize data. Insurers may have inherent value in understanding risk profiles better than others, but to capitalize on the opportunity, they will need to carve out their space quickly before others do.



Historically, insurance companies have not aggressively pushed into new markets or rapidly responded to changing market conditions, but there are signs that they are beginning to realize that a change in their modus operandi is required. Many are planning extensive investments in AI over the next three years—especially in machine learning and embedded AI solutions.⁸ But insurers will need to step up their game. Already, several automobile companies have started offering insurance (for example, Tesla⁹) or made announcements regarding their plans to begin providing liability insurance (including Volvo and Mercedes¹⁰) with their autonomous vehicles. With increasing numbers of existing and new players seeking to capitalize on owning the customer experience for connected technologies, insurers cannot afford to hesitate.

INSURERS CANNOT AFFORD TO HESITATE



TYPICAL INSURERS **DON'T HAVE** **THE CAPABILITIES** **AND SKILLS** REQUIRED

While insurers have large amounts of valuable data, other companies and industries (including telecommunications and finance) are better positioned in the data monetization space. Most are well behind other industries and have realized very limited revenue from monetization to date. For example, Tesco has created a \$1 billion business from monetizing grocery shopper data to consumer packaged goods (CPG) companies.¹¹

Conventional insurers do not have what they need to take full advantage of the revenue potential of their data. They need new skills, new business models and innovative cultures to succeed in this new world. This could mean identifying and working with appropriate partners for optimal go-to-market routes.

For example, rather than build their own connected home technology, several insurers have opted to join Amazon's Alexa insurance skills platform to sell insurance through Amazon Echo.¹² While currently a means of finding an agent and sourcing information regarding insurance, this type of platform could potentially lead to compelling ways to deliver value to customers and new revenue for carriers.

Several leading life insurers around the globe have also partnered with Vitality, a wellness program that encourages, facilitates and rewards members based on healthy lifestyle choices. Vitality collects data about customers' lifestyles, health and spending patterns. Carriers can then use the Vitality platform to obtain new insights and revenue streams to offer additional value to their customers.¹³ The Vitality program claims to have over 5 million customers globally.¹⁴ Discovery, a South African carrier, has been using everyday Vitality services for over 10 years.¹⁵ Customers adopt healthy lifestyle practices and use smart watches to earn health points through their behavior. They can then use these points, for example, to pay for drinks in coffee shops.

Both of the examples above demonstrate how carriers can think outside their traditional business models to develop ecosystem partnerships and leverage other platforms to gain the most value from their data and insights.



WHAT MUST **INSURERS DO?**

To develop a vision for data monetization, insurers need to answer five key questions:

1.

WHAT IS THE MARKET AND BUSINESS VALUE POTENTIAL?

Insurance companies need to begin by ascertaining how the market will evolve and what the major business and technology trends are. In doing so, they can determine the key risks and challenges, as well as business model success factors, target customer segments, total market size and potential monetization value—including how their data might be applied to other industries they could sell it to.

2.

WHAT USE CASES, DATA AND INSIGHTS WILL GENERATE THE BUSINESS?

To define the value proposition, insurers need to identify the most attractive use cases and target customer value drivers. Then they need to determine what data and insights can be used to realize these use cases. They also need to identify which industries to target first, as well as which of their existing data assets could be used and how valuable they are.

3. WHAT ECOSYSTEM PARTNERSHIPS SHOULD BE FORMED?

Determining the go-to-market approach for data monetization includes an explicit ecosystem partnership strategy. Determining what platforms to play on, or which partners can enable market access, is a key success factor.

4. WHAT CAPABILITIES ARE NEEDED TO DELIVER INSIGHTS AND USE CASES?

Insurers need to establish which analyses are required to produce the insights they expect. They also need to determine how to structure and deliver the data, including the technical requirements such as customization, aggregation, level, frequency and sophistication. The business capabilities and skills needed must also be identified, as well as how best to access these—internally, externally through partners, or through talent acquisition. Additionally, insurance companies should determine how to manage data privacy and security as well as warranties and liabilities.

5. HOW SHOULD THE BUSINESS MODEL AND CAPABILITIES REQUIRED BE IMPLEMENTED?

Specific activities and initiatives should be formulated and quick wins should be identified, as well as an implementation approach that includes tactics such as pilots, market tests and sprints. The organization structure and resources required should be defined and the entire plan should be evaluated against other initiatives in the business.

As insurers' traditional sources of revenue continue to decline in the wake of digital disruption, they have a significant opportunity to turn their valuable data and insights into both new revenue and competitive advantage.

However, to capitalize on the opportunity, they need to proactively develop innovation capabilities, including acquiring new skill sets and knowledge of other markets to come up with creative ideas for monetization outside of their traditional industry.

With \$6-8 billion of new annual profit at play, data monetization could be the path to survival under disruption for many insurers.



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www.linkedin.com/company/accenture-strategy

CONTACT THE AUTHORS

John Mulhall

Chicago, IL, United States

john.v.mulhall@accenture.com

Berend de Jong

Amsterdam, Netherlands

berend.de.jong@accenture.com

Ivo Weterings

Amsterdam, Netherlands

ivo.weterings@accenture.com

NOTES

- ¹ Accenture Strategy estimates based on insights from market analysis.
- ² HIS, SBD, GSMA, Accenture calculation from Accenture Strategy: “Connected vehicle: Succeeding with a disruptive technology.”
- ³ Danielle Muoio, “Tesla wants to sell future cars with insurance and maintenance included in the price,” Business Insider, February 23, 2017.
- ⁴ Accenture Strategy Insurance practice estimates based on insights from market analysis on the sharing economy, autonomous vehicles and insurance carrier efficiency improvements.
- ⁵ Steven Tiell and Lisa O’Connor, “Building digital trust: The role of data ethics in the digital age,” Accenture Technology, 2016.
- ⁶ John Cusano and Andrew Starrs, “Accenture Technology Vision for Insurance 2017,” Accenture Consulting, 2017.
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- ¹⁰ Michael Ballaban, “Mercedes, Google, Volvo To Accept Liability When Their Autonomous Cars Screw Up,” Jalopnik, October 7, 2015.
- ¹¹ Dunnhumby POS data.
- ¹² Ava Mutchler, “Insurance Companies Increase Alexa Skill Offerings,” Voicebot.ai, March 6, 2017.
- ¹³ “Why Vitality Works for Brokers and Consultants.”
- ¹⁴ Vitality Group.
- ¹⁵ “How Discovery Vitality Works.”

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