

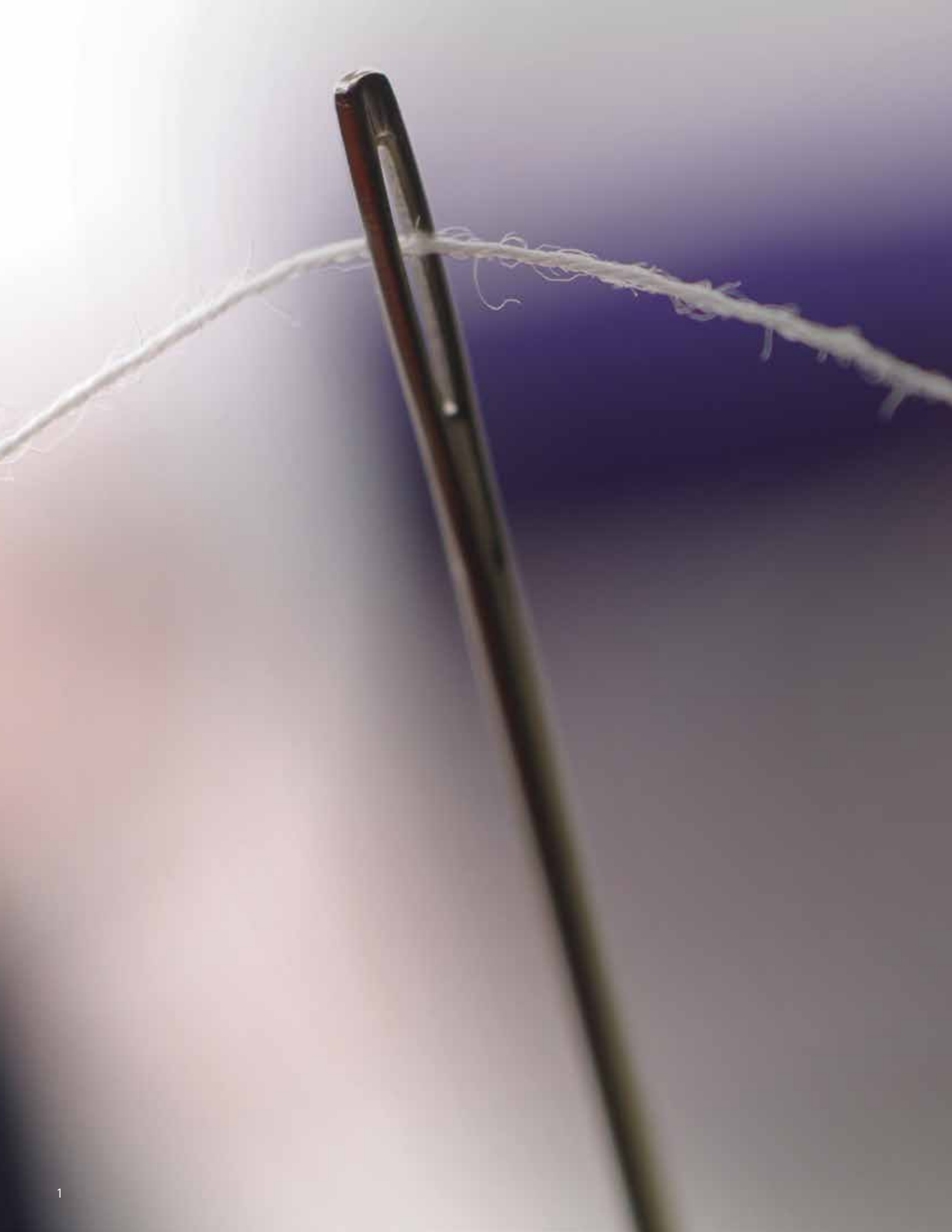
Accenture Insurance

Reaping the Benefits of Analytics

Six Ways to Make Your
Business Intelligence Smarter

 High performance. Delivered.





Gartner research shows that many insurers are still struggling to achieve a 360-degree view of their customers, and part of the issue they are grappling with is the completeness or the accuracy of the data they have on customers across their various repositories.¹

Despite their hefty and increasing investments in data warehouses, architectures, analytics, and business intelligence (BI) platforms, many insurance companies still are not getting the value they want, and need, from their BI initiatives.

Over the past 10 years, insurers have spent hundreds of millions of dollars on data warehousing and BI. One of the prime areas for insurer's IT investments from 2010 to 2011 was in data warehousing; half of the 29 property-casualty executives surveyed by the Ward Research Center indicated they were budgeting more money to better house their data.²

Despite the focus and investment, insurers saw little change; the same huge, bulky, flat report outputs from the old systems were simply migrated to the new systems. As a result, carrier information remains disjointed, conflicting, slow, and backwards-looking. Executives and managers continue to be overwhelmed by ominous reports. They have a hard time deciphering what the information means relative to business change. They either have too much or too little information, rarely at the point of need, and never with the ability to truly drill down and analyze the root cause of an issue. For example, one national carrier produces more than 500 pages of reports which are dutifully printed and distributed to executives each month, but provide little insight to the management team on where to focus their efforts. Insurers moved from data gathering to data reporting, but still are not getting to the insight and action promised by BI.

In essence, past business intelligence initiatives in insurance basically amounted to the status quo: simple spreadsheets.

Despite the importance of BI, Gartner predicts that, "through 2012, more than 35 percent of the top 5,000 global companies will regularly fail to make insightful decisions about significant changes in their business and markets."³

The half-met promise of BI

The promise of what business intelligence would bring to insurance is starkly different from today's reality. Carriers were supposed to have accurate data that would be:

- Easily accessible and shareable to all.
- Very specific, drilling down from summary to individual transactions.
- Actionable information, providing insights on where and how to improve business results.
- The foundation for data-rich solutions across the enterprise, helping to manage brokers, customers, and operations.

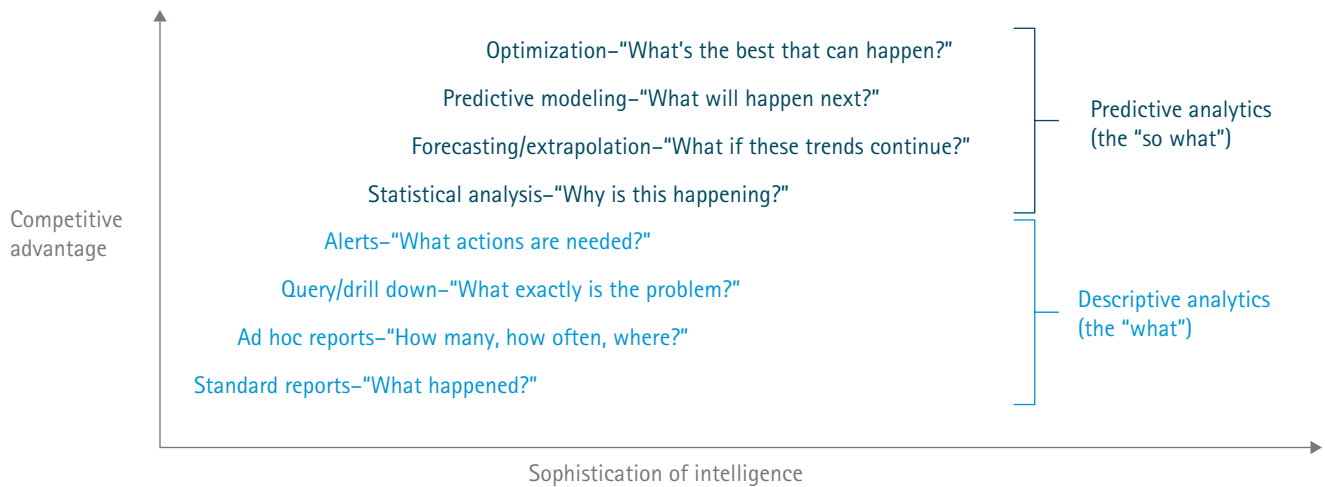
So, how is it that carriers, supposedly with better data and systems, are still only generating static spreadsheets that offer little insight and impact on the business? There are three primary reasons:

First, the emphasis of BI initiatives was on the technology rather than the real business asset: information. To extract value from their large amounts of customer data, carriers need an integrated and governed approach to improving data quality and conformance. Without the right processes and operations, the technology simply enables low-quality data to be gathered and displayed more efficiently without the benefit of improving business.

Second, design of the new BI systems replicated the same segmented, isolated reports already being used by department-specific users instead of emphasizing enterprise-wide insight. While user-specific reporting is useful, the true power of innovative enterprise information capabilities lies in the ability to align and analyze information with common definitions across the enterprise—giving executives broad operational views and a better understanding of performance from every aspect of the business to make more intelligent decisions.

Third, BI was viewed as an IT project, guided and controlled by the IT organization rather than the enterprise. Without an understanding of what is possible through new BI systems, executives on the business side did not inquire about the reporting, analytics and intelligence potential. This "accountability" gap fostered a lack of governance, a failure to effectively conform sources, and poor data quality. The situation is exacerbated by multiple policy, claims, billing, and other legacy systems. It means that, today, the business is not using the tools now in-hand to shift from a tracking to an analytics focus.

Figure 1. How holistic business intelligence delivers competitive advantage.



Source: Competing on Analytics: The New Science of Winning (Davenport/Harris)

Taking a holistic view of the business

The promise of BI has not faded. Given today's growth and advances in analytics, BI is even more compelling now as a way for insurers to incorporate business insights into business processes and open up their growth potential. Insurers can use BI throughout all aspects of the organization, giving employees greater insight to improve performance. Consider:

- Distribution professionals who are able to walk into a broker's office and have at their fingertips information on broker performance, upcoming renewals, business that the carrier lost the year before, and market data for the region.
- A commercial underwriter who, when evaluating a risk, can see the performance of the risk, the performance of similar risks in an industry and geographical area, and pricing trends.
- A customer service professional who has access to a customer's full account information, including profitability, claims, and service history.

- A claims professional who can see a vendor's expense, customer service, and loss outcome information for a specific region and type of service.

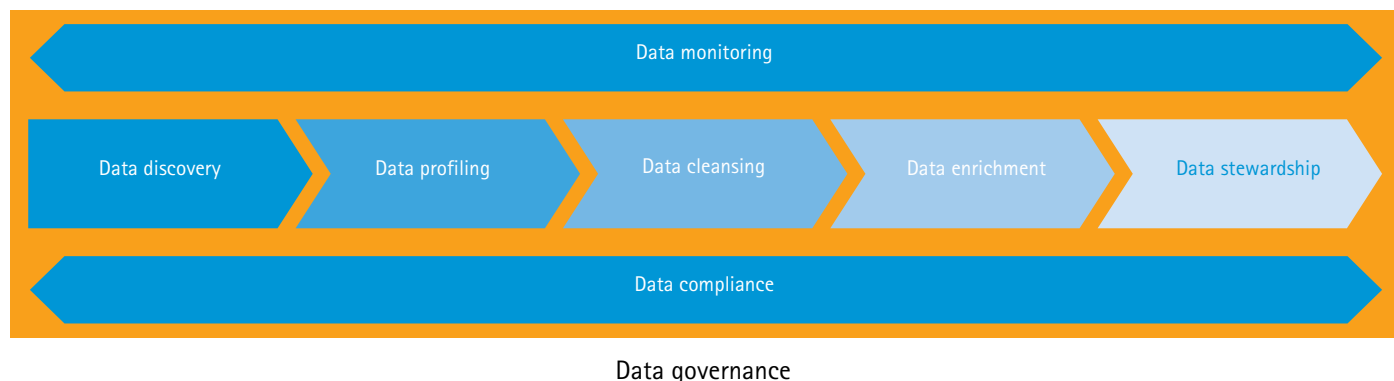
This is the real promise of BI, translating insights into action and empowering the business to act differently (figure 1). By having both accurate data and analytical prowess, insurers can determine the impact of a situation on their business and devise appropriate ways to respond. And, they can push these capabilities to every line professional in the company. They gain a holistic view of enterprise operations—from product development and claims analytics to fraud detection and financial compliance—to change and run their business better and to equip everyone in the company to do the same.

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Figure 2. Components of a top-quality managed data lifecycle



Source: Company reports, Accenture Research

The bottom-line is clear: for insurers to achieve the desired ROI from large BI investments, they will need to tweak their programs to provide the right information to employees in a timely manner and in a format that helps them analyze, evaluate, and react to changing market conditions to drive business results. It means infusing governance, monitoring, and compliance throughout the managed data life cycle (figure 2). It means having well-designed reporting outputs that offer holistic views of data with appropriate drill-down and intelligence. When married with detailed planning data on expected results, such capabilities can be very powerful in giving executives insight to make key business decisions, such as:

- What is the real rate change I am realizing from the recent pricing changes?
- Are my rate changes adequate for a given industry?
- Are the claim notices for my new lines following my actuarial predictions?
- Where should I be having my underwriters focus for submissions?

Predictive analytics, for example, is one such enabling capability. According to 89 percent of insurance executives surveyed by Accenture, customer acquisition and retention over the next three years will depend heavily on their ability to deliver customized experiences to their different customer segments⁴—an ability that will rely on predictive analytics to convert data into usable insights on customers, agents and markets. When applied to insurance distribution, predictive analytics helps insurers determine which customers offer the best growth opportunities, which markets they should focus on and which agents they should hire and deploy to improve business performance.

Historically, predictive analytics in insurance has focused on risk segmentation or pricing. However, it has far broader uses for insurers; it can be applied to key operations of the business to optimize performance in every area. For example, predictive analytics can answer key questions in moving from analysis to action, such as:

- Would a skills-based routing for underwriters make sense, and if so, what does the performance information tell me about how to respond with respect to size, industry, geography, or coverage for a given risk?
- How do I get the most return from distribution spend? Is there more opportunity with brokers located in cities or in rural areas?
- Who are the best claim vendors from a customer service and loss perspective for a given loss profile?
- Which of the litigators are best for a given type of loss or industry?

Successful insurers will become a more data-driven, measurable and transparent marketing organization with strategy, tactical campaigns and budgets that are based on metrics and analytics.⁵

Thanks to new BI capabilities, new information at a large P&C insurer is now available daily instead of in months, and with better access. Users can spend their time analyzing data and understanding its implications rather than collecting and formatting it.



Six ways to mine gold in the last BI mile

To gain more insight and value from their BI investments, insurers will need to go further toward the holistic view by taking six key actions.

1. Establish a core set of data most relevant to the entire enterprise.

Establishing this core set of data is critical for several reasons. It prioritizes the data requirements of the BI solution, provides direction on where to focus any data remediation activities, and provides a focus for where to start to implement end-to-end data management solutions. Such solutions include the use of tools and governance to ensure that the enterprise produces a consistent set of high quality, standards-conformed data for ongoing analysis and consumption. It also makes certain that the BI focus is enterprise-wide rather than being slanted toward a single information user, such as actuary or finance. This action is complex given the array of systems and diversity of information users that insurers typically employ; still, it is critical to the usability of the data for BI solutions.

2. Establish core governance to manage values and definitions. The right governance, with common language and terms, provides for higher data integrity and useful insights. Most carriers recognize the importance of an enterprise Data Dictionary, Data Stewards and Data Governance Council initiatives to support data governance, however only 27 percent have these in place and more than 40 percent have no plans to introduce such initiatives over the next 12 months.⁶ Controlled data management goes beyond just governance, however. It includes the active, ongoing quality evaluation and management of critical data to ensure that governed information remains of the highest quality, aligned to consistently conformed standards.

According to Brian Pagano, Chief IT Architect at Guardian Life, the fourth largest mutual life insurance company in the United States, governance extends beyond a decision-making process, and must be at the core of every corporate process. Guardian Life implemented an enterprise level unit that is charged with evaluating and acquiring new technologies, and has admitted to fielding

an increasing number of technology requests from the marketing department. This central team drives technology evaluations based on the needs, strategies and requirements of the business, essentially eliminating the scenario where one department invests in a point solution that cannot integrate into the corporate infrastructure.

3. Start controlled clean-up efforts.

While insurers are often data rich, they also have a lot of data quality issues. Insurers need to do some clean-up of existing and historical data in parallel with instituting data management solutions to improve data quality. This type of clean-up should be driven by the importance of the data and the ROI of the clean-up. For example, a clean-up effort to improve customer data and, perhaps, years of customer history, could be very valuable. Fixing old underwriter information, on the other hand, might be less useful and warrant less of an investment (if any).



4. Rapidly develop tools for business use.

Analytics-based tools can help insurers more easily conduct data analysis and mining to identify metrics, trends, interrelationships and anomalies. Internet-enabled scorecards, dashboards, reporting and interactive analytics tools are being incorporated into many insurance processes, such as the front office, claims or customer relationship management. Advanced tools that can analyze both structured and unstructured data in real time help insurers better predict behavior and take action ahead of an incident, such as in the detection and identification of insurance fraud.

One analytics tool that can improve agent performance is the Accenture High-Performance Sales Force Analyzer, which can give insurers a detailed profile of the specific characteristics of their best agents on a territory-specific basis. Insurers can use this profile to hire and retain high-potential agents who match the profile, as well as establish training and performance management programs that encourage and enable all agents to emulate the behaviors, attitudes, and attributes of high performers within their organization.

5. Embed intelligence into reports.

Rather than simply displaying information, reports need to be intelligent enough to highlight areas that need executive attention. This action requires insurers to first explore with a fresh and open perspective how best to use information to improve their business performance. What information do you need to know; what does the business care about? What metrics and benchmarks will tell you whether your business is running at high or low performance? How will you interpret, for example, if the number of claim occurrences is higher than the actuary predicted? Insurers also need to establish parameters to identify issues and trends, employ intelligent graphics for multi-dimensional analysis, and train managers to interpret the reports to determine the right action to take in response to the insight.

6. Build solutions that offer broad and granular insight. Insurance executives need to be able to look at the enterprise-level picture and then drill down to lower tiers of granularity as needed. The big value of BI is gaining access to information

that highlight business issues that need attention with enough detail to better understand and resolve them. In essence, holistic BI gets managers closer to the business problem in need of a solution. For example, business leaders with only submission information may see that business is down from the previous year, but not understand why. With advanced reporting tools that analyze and evaluate the information across regions, products, brokers, and underwriters in a dynamic fashion, executives can discover that the root cause of problem is tied to a single broker where the underwriter handling the relationship recently left the company. This insight would then help point to a strategy to resolve the issue.

Make your business intelligence smarter

With business taking the helm, insurance companies have a significant opportunity and somewhat of an obligation to tap the untapped last mile of business intelligence. There, insurers' huge amounts of data can be filtered through sophisticated analytics to enable faster decisions, concrete actions, better business operations, and growth.

The Accenture Business Intelligence Solution for Insurance

To help insurers move toward high performance, Accenture Information Management Services developed the Accenture Business Intelligence (BI) Solution for Insurance—an integrated suite of applications that meets insurers' need for business intelligence, from raw data metrics to detailed what-if analytics. The solution integrates fully with industry-standard systems; it is built on the Business Objects platform, and will be made available for other platforms such as SAS, Cognos and Microsoft. The Accenture BI Solution for Insurance consists of four core components:

- **Enterprise Metrics Management (EMM)**—a unique offering encompassing the strategy, process, and technology components needed to ensure quick access to appropriate and consistent performance metrics via tailored, rules-based executive dashboards.
- **Reporting**—providing insurers with comprehensive reporting capabilities based on Web intelligence reports that drill down to the enterprise metrics and provide detailed, flexible real-time intelligence on the company's performance against any chosen indicators.
- **What-If Analytics and Scenario Planning**—sophisticated modeling capabilities that enable performance data drawn from the EMM and reporting modules to be tested and trailed against changes in any chosen combination of variables. This allows executives to model, in advance, the impact and interdependencies that would arise from any given management action.
- **Insurance Data Migration Factory**—this unique facility specializes in doing one thing effectively; transferring data from aging systems to new BI systems. Once converted and cleansed, insurers can then analyze information across multiple platforms and tools. The Factory has conducted more than 80 conversions and migrated more than 45 million policies and accounts.

Putting Business Analysis to work

The Accenture BI Solution for Insurance operates through an accessible, user-friendly graphical interface, with clear and consistent use of dashboards, charts, and colors. All three of the core elements—EMM, reporting and analytics—are integrated in a single solution, with seamless and interlinked use of the same performance data across each application.

By combining Enterprise Metrics Management, reporting, and what-if analytics, insurance companies have a cost-effective and easy-to-implement solution encompassing all the elements needed to support better decision-making and achieve high performance.





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About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 249,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$25.5 billion for the fiscal year ended Aug. 31, 2011. Its home page is www.accenture.com.

