

WHITE PAPER

# **Intelligent Transformations: Data-driven changes to the insurance industry**



**T**he insurance industry has a legacy originating in the 17th century, with many of today's brands having been household names for generations. But to remain competitive and relevant in 2020, pivoting to embrace the very latest in data science and other technologies is essential across every sector — and the management of risk is no different.

**Successful insurance brands will be those who optimise data-driven learning and change**, while bringing their established and trusted brand values with them to a new customer base.

### New customers bring new expectations

A new generation of digitally-native consumers demands accessibility from providers, and expects a customer-focused and highly personalised UI based around their own needs and preferences, as well as a product range reflecting coverage of the assets they value.

They require accountability and transparency from risk underwriting, and will not be content with black-box algorithms, nor lack of clarity about how their data is used. They will transact with risk on an individual basis, and don't welcome being lumped in with others of a given demographic — instead **they value accurate fairness**, such as premiums based on sensor data about their driving: they'll be happy to provide their data directly for purposes like this, and they will interact on a self-service basis to initiate purchasing or claims.

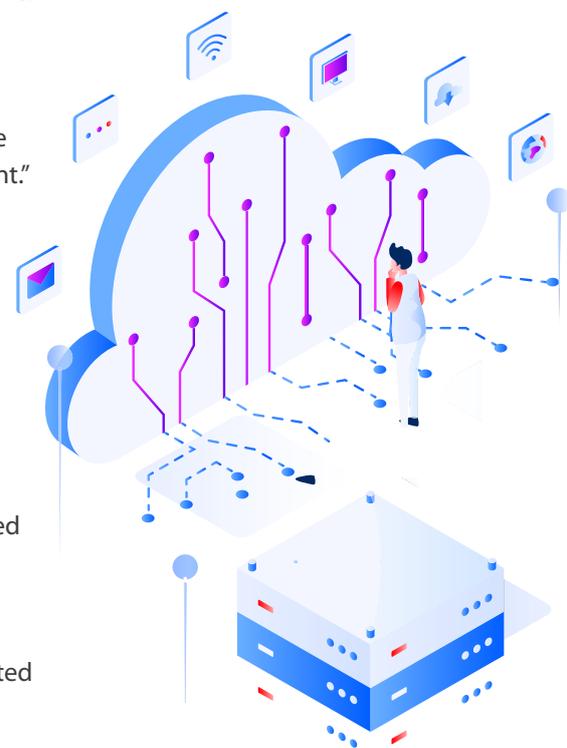
**Above all they want it their way, on their mobile device, and fast** — as Liselotte Munk, CEO of Fadata indicated, "They are used to finding all they need in seconds... The ability to conclude buying insurance and claims in one transaction will be a way to differentiate and take market share in this segment."

### Big data needs big thinking

**Smart use of data and analytics is key to successful engagement with this demographic**, and the sheer volume of information insurers possess is a vital asset. Data has been described as 'the new oil' — however it is perhaps more realistic to regard it as analogous to crude oil, barely useable in its unprocessed form.

The true **value lies in the insight generated**, when data from demographics, marketing, claims, sensors/oracles and external trends, are visualised, integrated and refined, into true descriptive, predictive, and even prescriptive analytics. According to Chief Product Officer Silvia Koleva, "**Data has always been the decisive factor in streamlining and promoting innovation in any given field.**"

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However, being able to gather data and analyses is simply not enough in this day and age. **The key is to make it viable.** In other words, to make it operational. In that regard, the better we are at utilising big data, datasets, etc. to uncover dependencies, tendencies, and inconsistencies/consistencies, the more prepared we are for the future.”

## Leveraging new technologies means transforming structures

While the pedigree of a century-spanning brand brings marketing kudos, **it is vital that insurance businesses pivot successfully to new ways of working, and do not allow legacy habits and architectures to consign them to the history books** along with their handwritten actuarial tables.

This will mean **restructuring business units around design-led, user-centric ways of working**, which can respond quickly — bringing agile methodologies and smaller interdisciplinary project teams into existing operations, groups which can iterate quickly in response to changing circumstances. For strategic decision-making this will require a spotlight on learning and development, along with talent-centred team building and even acqui-hires. Attracting good talent means extending the user-centric approach across all stakeholder groups, creating a motivational and inspiring experience for developers, agents and managers, as well as customers.

Above all it requires **an approach to innovation which can maintain a multi-speed perspective:** being able to engage with legacy backend operations and datasets while continually transforming the UX of slick native mobile apps that the millennial consumer expects, and invoking the intelligent data analytics which combine to drive marginal improvements and updates on a regular basis.

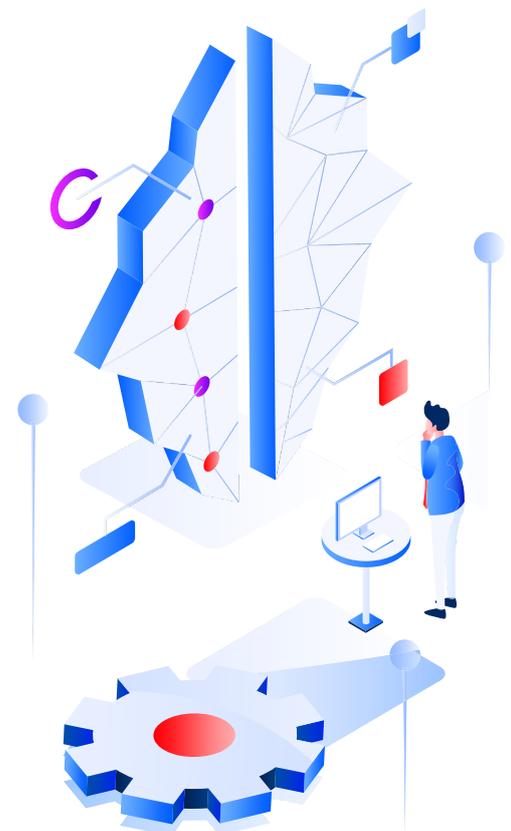
## ML as a dynamic space

Visionary brands will maintain focus on the point at which their customers interact with the enterprise, while recognising that this point is a moving target.

Machine learning and automation will remove more and more routine interactions to self-service portals and entirely bot-driven transactions, which take place at the customers’ instigation — at any time, and on their device of choice. This will leave the edge cases and exceptions where human agents and customers interact, for specialist expertise and attention (such as dealing with customers who are distressed or have additional needs).

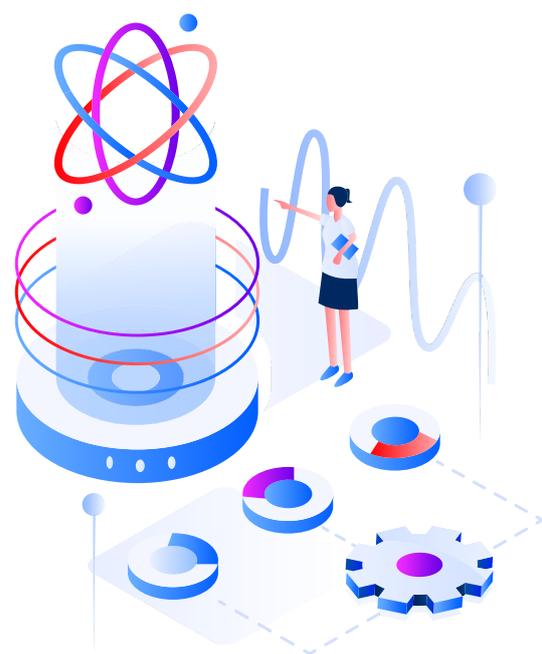
Whether guiding required information gathering at the scene of an accident, or spontaneously offering new products to existing customers at the right moment via retargeting and behavioural analytics combined with business intelligence,

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the future of these complex interactions depends on technologies which are self-learning — and the same cognitive applications are also vital for loss adjustment and identifying the subtle clues which indicate a fraudulent claim. Such complexities are impossible to programme for directly, instead they depend on a system which can be self-learning within preset parameters, and tested against real-life scenarios.

This kind of IP will differentiate winners and losers on the underwriting front in years to come, becoming assets in their own right — as Viktor Ivanov, Head of Machine Learning Systems wrote in a recent paper: “Fadata is focusing its efforts and investment on a third wave of AI that brings forth core insurance systems that understand and reason in context... Enabling core insurance computing systems to act as intelligent assistants is of critical importance because sensor, information, and communications systems generate data at rates beyond which humans can assimilate, understand and act. Incorporating AI technologies in core insurance systems that collaborate with insurance experts will facilitate better decisions in complex, time-critical environments, enable a shared understanding of massive incomplete and contradictory information, and empower unmanned core systems to perform critical insurance business processes safely and with high degrees of autonomy”.



## Empowering consumers and insurers for a data-driven future

Above all this combination of technologies can bring comfort to consumers, at a time when the world is in flux on so many levels, and many perceived risks are heightened. Insurance providers have always struggled with an image and engagement problem, given that we turn to them to protect us from things we fear, like accidents and loss, and when we need help in the event of an emergency. But by becoming truly data-driven, brands can align their values alongside those of their customers, and provide them with reassurance in a dangerous world, even when that world is filled with growing complexity of both risk and the industry underwriting it.

Today's customers need to insure themselves to work remotely, to fly drones, or to travel to areas of high Covid-19 risk, for example, and they have new categories of assets to protect from tech gear to purely digital items. It's no longer just about life, health and motor. As Koleva explained, “At its core, the concept has not changed. However, insurance has expanded above and beyond its establishment. The developments are a two-edged sword. While the solutions presented to those insured have increased exponentially, finding your way around them has proven to be quite problematic... A data-driven approach would meet the needs of the customers by not only being utilised by the companies but by the people themselves.”

Bringing everything back to those customers at the end of the day is what will underpin the new thinking required to reassure and support a new cohort of consumers, in a rapidly changing world.

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## About Fadata Group

Fadata Group is a leading provider of software solutions for insurance companies. It helps insurers stay competitive in the digital economy by implementing the processes needed to connect faster and more effectively with their customers and distribution partners. Recognized as a market-leading solution provider by analysts at Gartner and Celent, Fadata has clients in over 30 countries across Europe, the Middle East, Africa and Latin America. In 2017, Fadata acquired Impeo (now Fadata Germany GmbH), broadening its insurance front-office capabilities.

Fadata is headquartered in Munich and has a major software development and operations centre in Sofia. It also has an extensive international distribution and implementation partner network that includes Charles Taylor InsureTech, EY, Open Factor, Infosys, Sollers, ScaleFocus, and Bulpros.

Fadata's shareholders include The Riverside Company, a global private equity firm, and Charles Taylor plc., the London-based global provider of insurance services. [www.fadata.eu](http://www.fadata.eu)

## For more information

To discuss your business' needs and how we can help, please contact us at [info@fadata.eu](mailto:info@fadata.eu)

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