

The Future of Data Driven Insurance

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Digital Version

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Situation

The insurance industry is on the threshold of a paradigm shift. Insurers must address fundamental strategic issues. It is more important than ever to anticipate emerging trends and prepare for change. They must get in the game of who will win the hearts and wallets of tomorrow's insurance customers. For insurers to keep pace, they must use targeted technologies to increase digital maturity across the customer journey and value chain to provide their customers a frictionless, unique, and customized customer experiences journey for life.

However, it is certain that the basis for business success will be the extensive availability of information. The IT landscape, the quality of the company's own

data inventory and the capacity to extract the desired and necessary information from both internal and external data sources will be decisive for the future success of an insurers.

Insurers of tomorrow will have little in common with that of today. Six theses on how new technologies and the availability of tremendous amount of information are changing the insurers world from ground up.

100% Digital – 100% Data Driven

1) The insurance of tomorrow is 100% digital

The current generation are used to all information and services being available online at the touch of a button, anytime, anywhere. These expectations are also becoming clear regarding insurance services. For this reason, some insurers have already started to distance themselves from printed insurance documents and rely on online sales channels, digital voice assistants and chatbots. This allows customers to take out, adjust or cancel their insurance 24 hours a day and receive support for more complex matters at any time. Digital processing of insurance documents and claims also eliminates unnecessary paper and makes the insurers more sustainable. This trend will become even more pronounced.¹

With increasing digitization, the customer experience will also change further. Simpler insurance claims will then be processed, concluded, and settled by artificial intelligence (AI). In the case of more complicated claims, the insurance claims will be digitized into individual processing stages, so that customers can easily check the status of their claims processing online. The customer will also digitally record and transmit the material damage, e.g., in the case of motor vehicle or household

¹ Environmental, social and governance (ESG) requirements.

damage, and this will be reconciled with the financial claim settlement, in turn supported by AI also.

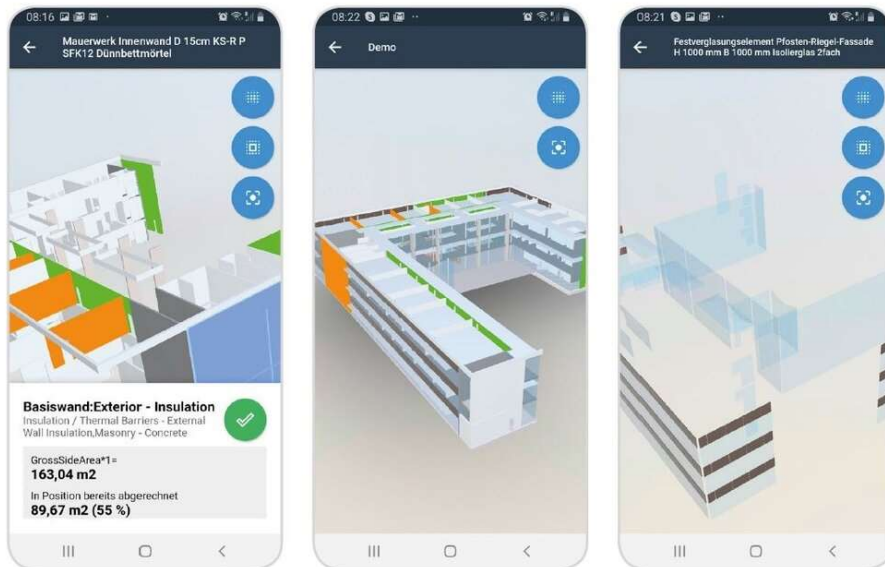


Figure 1: App for digital collection and transmission of construction and renovation information from the customer side, e.g., for claims settlement / 3D measurement and construction progress with BIM² integration (Source: NOVA Building IT GmbH 2022).

2) The insurance of tomorrow is significantly (!) more data driven than it is today

Insurance services have always been based on experience and probability calculations - that is, on information and data about past events and forecasts derived from them. With more data and thus more information, an insurer can consequently offer better service and price risks better. It is not only claims that are exciting here, but also more precise information about the customer's current life situation and behavior, e.g., about his lifestyle and health activities or his

² Building Information Modeling

behavior on the road³. It does mean, however, that insurers will have to network with a wide range of data providers in digital ecosystems to combine features typically offered by standalone incumbent firms into a one-stop-shop service. Insurers bring underwriting expertise, while platforms and ecosystems offer access to customers through their ability to target specific segments and mine user behavior, as well as offer multiple touchpoints to capture user attention and show the advantage for them.

3) The insurance of tomorrow is precautionary

Data and information also help prevent damage from occurring in the first place. This intention is already evident among health insurers. They already advocate a sporty and healthy lifestyle, which can be proven with a smartwatch. The rates of these health insurers are then lowered accordingly. Damage can also be prevented in other areas. Digital systems and sensors can, e.g., detect water leaks at an early stage and stop the water supply, thus preventing major water damage. Digitally networked smoke detectors, in addition to the fire department, can also immediately report or provide information for claims settlement by the insurers.

On the other hand, push messages with information about risks such as e.g., clustered burglaries or car thefts in the neighborhood could be sent directly to the smartphone so that customers can take appropriate precautions and precautionary measures. Insurers thus become a real time information service for its own interest, but also in the interest of their customers, by preventing mutual efforts to settle claims.

³ In terms of health care. The analysis of driving style and the average distance driven per year are already well-known analysis factors for individual car insurance policies.

4) The insurance of tomorrow is customizable

Due to the increasing amount of personal data, it is becoming easier and easier to develop offers that are precisely tailored to the needs of the customer. These personal rates no longer correspond to standardized policies. However, because they reflect current needs, such personal plans may only be taken out for a short period of time. A single person who works mostly and rarely takes vacations does not need the same insurance package as a parent who goes on vacation with the family several times a year. Insurance packages will be developed that automatically adapt to the current life situation and take the resulting risk into account in the insurance benefits and premium - "life-long automatically life stage-adapted insurance policy".

5) The insurance of tomorrow is compact

Every German over the age of 18 has an average of six insurance policies, usually with different insurance partners. One trend could be that insurance policies become a commodity, meaning that insurance hopping will increase following the example in the utilities industry. Customers look for "the best (cheapest) offer" and adapt their portfolio annually. Insurers can counter this scenario by offering personalized packages to their customers. On the one hand, individual insurance policies would then no longer be 100% comparable, and on the other hand, mutual risk-mitigating effects can be exploited in the package. Administrative and procedural costs could then also be reduced, so that a permanently competitive insurance offer can be created. Another advantage is that the insurers gain a more comprehensive insight into the life circumstances and the associated risk of the policyholder.

6) The insurance of tomorrow is a treasure trove of data

For many years, insurers have been storing enormous amounts of data about their customers, loss events and other accompanying information, based on which they determine the future probabilities of loss events and thus the

insurance premium. But data and information are the “gold of the 21st century”. In future, insurers will work out business models on how this treasure trove of data can be used more extensively and monetized, of course within regulatory constraints. Longer-term, successful insurers will be those that can leverage insights from their investments and partnerships in data and analytics and develop compelling risk protection solutions aligned with evolving regulations.

Nearly fully automated insurance world?! - YES

The insurance of tomorrow will be much more mobile, flexible and digital. As a constant companion on your smartphone, insurers will use intelligent systems and data to alert you to risks. Data and behavior analyses with intelligent algorithms will identify insurance fraud more quickly and make individual insurance packages possible. A permanent and possibly even real-time control loop of information will emerge, with an abundance of information that is almost unimaginable today. The volume of information alone for 60 million autonomously driving cars in Germany, all of which provide and process information in real time about position, speed, direction of travel, destination and occupants, is almost inconceivable.

The data and information volumes that will be available to insurers in future and that can / must be processed can only be imagined today. Insurers must prepare their IT infrastructure, IT processes and the process organization for this. Current IT projects must already take this into account.

Achieve your target with Finbridge

The silo thinking of individual lines of business or foreign companies at insurers as well as separate and non-compatible data budgets will have to be eliminated. In addition to fully digitized processes, central data warehouses (DWHs) or data lakes that span all lines of business will play a central role in

the future in the consolidation of different data sources, an overall data evaluation and a comprehensive provision of information. The connection, use and interaction with all kinds of external data sources in the future must also be considered too. When defining data and IT-requirements, it is also important to consider the frequency with which individual data will have to be processed and information provided in the future. The requirement for real-time data processing and information provision will increase substantially.

Finbridge supports you in developing your future-proof data and information strategy and the corresponding IT architecture. Due to our comprehensive know-how in the definition of data requirements and the implementation of comprehensive DWHs for corporate management at banks and insurers, we can flexibly respond to the specific needs of your company and accompany you in the implementation of a future-oriented IT and data landscape that also meets all regulatory requirements.

Do you have any questions? Our team of experts gladly assist you in planning and implementing your projects.

Team



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