

CLOVERLEAF ANALYTICS

Insurance's Most Powerful Analytics & BI Solution

Foundations of Insurance BI for The New Normal

Make the Most Out of 2022.

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Section 1 | Introduction

Perhaps more than any other industry, insurance has the longest history of being in the business of understanding and serving customers as best as possible. This is before technology, financial services, and consumer goods companies began putting the customer first with AI instead of product features and bottom lines. While insurance has had a significant historical advantage over these industries, other industries have caught up in effectively managing customer relations by getting very serious and passionate about analytics, business intelligence (BI), and machine learning.

While some large insurers have built teams of data scientists and technology experts to improve products, processes, and customer relationships, small and mid-sized insurers have lulled themselves into a false sense of security that these advanced technologies are bleeding-edge and believe they do not want to move in this direction yet. They also have accepted the false notion that they do not have the money to even test the waters.

A **Willis Towers Watson research report** revealed that in 2018, the biggest challenge to preventing insurers from becoming more data-driven was infrastructure/data warehouse constraints, followed by data accessibility/not being easily integrated.

Yet, it's two years later, and yet analytics has yet to be mastered by insurers. A **2020 KPMG global survey of CIOs** revealed that improving data literacy and scaling data analytics skills is still key in the coming years for insurers and across all other industries. Could we be approaching a future where insurance can still lead by example in mastering customer relationships with advanced technologies?

As the world heads into an era where technology is rapidly evolving customer experiences and revenue growth models, the small to the mid-sized insurer has a great opportunity to position themselves for growth, profitability, and reduced risk by looking at analytics and BI.

To accurately recommend the best insurance products for the insured, carriers need to understand the history of a customer and what makes them who they are. This is the exercise we will go through in this paper by showing how the insurance industry got to where we are today from our perspective about BI and analytics. We are doing this to ensure small and mid-sized insurers are best equipped to have a strong and stable foundation with insurance BI in 2022 and beyond.

Section 2 | A Brief History of Insurance Analytics

At Cloverleaf, we have over 50 years of collective insurance technology industry experience. To start, we will take a quick look at the history of insurance data analytics. In the early 1990s, like most industries, insurance did not understand the value of data. As an industry, we were focused on identifying the correct architecture and methodology for a data warehouse. Insurers were primarily on the mainframe for core processing with VSAM files and some DB2 databases.

What most companies found out was that no one examined the data stored in core systems, since the majority of it was junk data, and there were too many edits and data entry process changes required to have meaningful data insights. This decade was characterized by the difficulty of cleansing and correcting core systems data. This led many insurers to have trepidation about using new data analytics technologies in the 2000s. It sounds astronomical today, but in 1998, the cost of 500GB of data storage was \$1M.

As storage costs and efficiency improved, the challenges shifted from a simple query and drill down to a more in-depth analysis of core company data. After this, the roadblock was clumsy and complex query tools that were expensive with limited capabilities.

Today, many insurers are doing basic reporting and analytics and they believe this is what BI and advanced analytics are about. This leads to misconceptions by insurers that they are advancing and remaining competitive for their customer's wallet share. Many small to mid-sized insurers are not using advanced BI capabilities because they believe they are already doing so.

This has led to another misconception that moving to analytics is extremely expensive and requires an actuary or data scientist. In reality except for very complex analysis, there is no need to employ such an individual as technologies have rapidly advanced and have become more user-friendly in the last decade.

Section 3 | The Common Place Insurers Turn to For BI Expertise. Outside the Insurance Industry

Our industry has accomplished many great things in the history of our nation. Our ability to move collectively is one of our greatest strengths.

However, this two-edged sword has its downsides relating to technology adoption as insurers have tended historically to move like cattle, slowly following in the footsteps of others without thinking for themselves.

This has resulted in insurers looking to technology leaders outside of the industry that lack the real knowledge about insurance, our customers, carrier growth considerations, and our risks to effectively model and analyze data in a way that delivers immediate and lasting value.

These horizontal tools are appealing as shiny objects with big names attached to them, but they deliver little value in solving real insurance data analytics challenges.

These tools are often sold by professional services firms with quality expensive training resources that appear to eliminate the complexity of benefiting from analytics and BI and reap great revenues from services to build something from scratch for an insurer.

As an insurer would not turn to a general handyman to fix a complex electrical problem in their building instead of a specialized electrician, Cloverleaf believes leveraging these horizontal tools is tantamount to the same type of move in the long term.

Section 4 | Why Insurance BI is a Must-Have in the 2020s

While the pandemic has taken up the mind share of every industry, beyond the considerations of remote work models, insurance perhaps stands the most to be impacted significantly

According to a survey done by Accenture of 47,000+ consumers, 42.5% of those surveyed indicated that their insurer provided proper support during the pandemic. From an analytics perspective, the survey revealed that value related to price was one of the major areas of sensitivity for customers in the future. Having a proper understanding of an insurer's data universe is a direct area where carriers can improve customer relationships and revenue in 2022 as they can understand how best to enhance pricing.

While Deloitte's take on the post-pandemic world in this report focused on the many challenges facing insurers from a growth, brand, and customer engagement perspective, another interesting finding is that they are expecting digital transformation to significantly impact insurers in the coming decade. Deloitte specifically calls out the fact that while insurers still spend money on maintaining legacy systems, there will be an increased focus on analytics, AI, and other emerging technologies to enable more flexible products and enhanced customer experiences.

PWC agrees with this focus on digital transformation relating to products, services, and pricing strategies for prioritized segments in their report on the future of insurance.

Beyond insurance, carriers need to have a concrete understanding that their customers are benefiting from world-class AI, BI, and analytics technologies from many of their favorite service providers. This could be from smart homes, smart devices, online shopping. These conveniences and exceptional customer experiences are what insurers need to be learning from to protect their growth.

Without a perspective on customer experiences outside the insurance industry, these insurers may end up going head-to-head with their same favorite horizontal technology provider if the technology vendor tests the waters in adding insurance products on to their intelligent insurance services to extend the value to their clients. This is not an if but when moment from a B2C and B2B perspective. On the B2B front, the continued cyber attacks on businesses could make a B2B customer with a standard corporate policy from their long-time insurer using legacy technology consider the new shiny cyber insurance add-on from a cloud provider.

There are two sides to this, if an insurer has a meaningful understanding of their data with insurance-specific BI they may either sell their product directly to their customers or alternatively, they could explore partnerships with a horizontal technology company in a mutually beneficial manner for all service providers and the end customer.

Section 5 | How Can Small to Mid-Sized Insurers Get Ready to Truly Benefit from Insurance BI in 2022?

With management consulting firms and other thought leaders indicating that insurers need to invest in emerging technology like analytics to protect their future, how can small to mid-sized insurers best position themselves for 2022?

The herd mentality that the insurance industry leans towards will likely result in an increased interest in data.

For insurers that have not done much with BI, it is more than time to stick their toe in the water and start growing their capabilities at a comfortable pace for them. Choosing an insurance-specific solution instead of a horizontal tool will enable insurers to more effectively explore and master capabilities at a time of economic constriction.

Additionally, an insurance-specific solution enables insurers to be able to effectively move beyond experimentation with insurance BI and have a working solution in a fraction of the time it would take to build on their own the house.

These insurers should begin cleansing their data and loading it into an insurance-specific data model and begin simple slice and dice to answer some basic questions that will lead them to explore deeper. This will start their road to digital transformation, stronger customer relationships, and near-term and long-term growth.

For insurers that have already tested the waters with BI and done some modeling on their data, it is time to explore 3rd party data and start doing some proof-of-concept projects to bring in data from various sources and combine it with internal data to discover the best 3rd party sources to explore.

If an insurer has been doing BI but not deep analytics, then it might be time to start building data models that can be implemented to price products, underwrite them, and predict loss reserving and claim outcomes.

This evolution will have a big impact on an insurer's performance and profitability

Section 6 | How Can Small to Mid-Sized Insurers Get Ready to Truly Benefit from Insurance BI in 2022?

This paper has mentioned horizontal technologies and the trends expected by management consulting firms, so how does Cloverleaf define true insurance analytics?

According to Cloverleaf, insurance analytics is all-encompassing with a focus on turning data into actionable information. It means having the right data with the correct details delivered at the right time with quality visualizations aligning with how a carrier wants to consume data insights.

True insurance analytics includes basic and complex reports, traditional BI drill-down and drill-across functions, dashboards, and graphs. Comprehending data is easy with built-in formulas for industry-standard definitions. A carrier that is really benefiting from insurance analytics has their data in balance and they can trust the accuracy of the data when making important decisions

Additionally, true insurance analytics includes big data analysis, data mining, clustering, and building models that can predict future outcomes while combining both internal and external data seamlessly.

This will provide the audience with a high-value 360-degree view of their operations. In addition, this encompasses assessing and pricing risk, and managing the claim process, and controlling claim outcomes. The end benefit of true insurance analytics leads to near-term and long-term improved customer retention and profitability.

For other vendors, especially the horizontal players, insurance analytics is just a tool like a hammer for point problems, but not a true solution to major business problems.

A hammer can build a house with some issues, however, with the Cloverleaf solution, we give customers a finished house that insurers can derive value from immediately with the flexibility to add to the house as your needs change and new features become available.

Section 7 | How Cloverleaf Analytics Can Help Insurance Carriers?

At Cloverleaf, our mission is to be a trusted partner in guiding small to mid-sized insurers into the new world. We do this by building deep client relationships holding their hand as they go from dipping into the insurance BI lake to swimming and deriving significant value for their business and the insured.

As a testament to the increased interest in digital transformation, Cloverleaf has seen a 73% increase in adoption since 2020 while also approaching 80 disparate insurance databases that are now reaping the benefits of a single data platform hosted in Cloverleaf.

Cloverleaf's expertise and technology shoulders the great expense of being an insurance-centric BI and analytics pioneer. Our company is committed to paving the road with best practices that are shared with many insurers. This empowers carriers to take advantage of capabilities and analyses that larger insurers regularly benefit from

Cloverleaf holds the hand of insurers while exploring 3rd party data sources and utilizing advanced clustering and modeling capabilities so we can visually demonstrate the value of these capabilities. This also lets Cloverleaf develop processes and approaches so that insurers can be successfully transitioned through this next step in their evolution.

To see a demo or learn more about Cloverleaf Analytics and BI solution visit, www.cloverleafanalytics.com.

Thank you for reading

Cloverleaf Analytics has the most comprehensive and customizable business intelligence solution in the insurance industry. Utilizing decades of insurance industry expertise coupled with innovation in machine learning and predictive analytics, Cloverleaf's BI platform provides a fresh perspective on current and historical P&C insurer data that helps insurers proactively improve growth, profitability, and reduce risk. Cloverleaf consolidates data for real-time analytics and visualizations driving underwriting efficiency, claims optimization, and better enterprise performance management through pre-built and ad-hoc reporting capabilities. Cloverleaf is relied upon by insurers for the precision, vision, and speed that has transformed carrier operations and insured relationships within weeks. For more information, please visit www.cloverleafanalytics.com.

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