

# Claiming the data premium

Insurance industry insights  
from the Global C-suite Study





# A deluge of data

Our latest Global C-suite Study explores what it takes to lead in a world brimming with bytes. We asked more than 13,000 C-suite officers—including 738 insurance executives—about the value they derive from data, how they intend to turn data into a differentiating advantage, and how far they've progressed with their plans.

We identified four distinct stages on the path to data leadership. We've grouped the insurance providers in our sample accordingly and named them—in order of progression—Aspirationals, Builders, Explorers, and Torchbearers (see Figure 1).

**Figure 1**

## The data dividend

When compared to their peers, Insurance Torchbearers have established a new path to value by infusing their strategy, operations, and culture with data

**22%**

### **Insurance Aspirationals**

Aspirationals are just setting off on the journey. They're beginning to integrate their business and data strategies. But they don't have a data-driven culture in place, and they're not very proficient at extracting value from data.

**41%**

### **Insurance Builders**

Builders are working on bringing their data strategy in line with their business strategy and developing a data-fueled culture. They're also drawing on data to meet their goals, but they're not yet achieving the returns they expect.

**27%**

### **Insurance Explorers**

Explorers are halfway along the road. They're aligning their business and data strategies, as well as experimenting with new ways to convert data into value. They're now reaping a return on their data but can't yet consistently realize its full worth.

**10%**

### **Insurance Torchbearers**

Torchbearers are close to their destination. They've fused their data strategy with their business strategy, operate in a data-rich culture, and have high expectations of the value data can deliver. They typically exceed their targets.

Whichever way you measure them, Insurance Torchbearers stand out from the crowd. Compared to Insurance Aspirational, they're much better at managing change and driving innovation. They've also generated exceptional revenue growth and delivered outsized profits (see Figure 2).

So how are Insurance Torchbearers achieving this stellar performance? Our analysis shows they differ from Insurance Aspirational in three key respects.

Insurance Torchbearers:

- Use data to earn customers' trust
- Couple the human with the high tech
- Share data widely, and wisely, in the platform era.

**Figure 2**

## Superstars

Insurance Torchbearers are more agile and more innovative than Insurance Aspirational, with better business results

*Success at managing change compared to industry peers*



*Innovation leadership compared to industry peers*



*Revenue growth outperformance compared to industry peers*



*Profitability outperformance compared to industry peers*



**Insurance Torchbearers**  
Insurance Aspirational

## Chapter 1

# Customers

## How to win in the trust economy

Trust lies at the heart of the insurance industry. When customers buy an insurance policy, they buy a promise that if the event they've insured against occurs, the insurance provider will cover the loss.

And never has customer trust been so vital, as the COVID-19 pandemic wreaks havoc around the world. With lives and livelihoods alike in jeopardy, people everywhere are anxious.

## The trust deficit

Data is powering new ways of doing business. It fuels the algorithms that are used to make product recommendations, personalize insurance premiums, and nudge customers' purchasing choices. It also facilitates the development of new business models. Platforms are a case in point. Creating ecosystems enables insurers to offer products and services on platforms that no one company could provide by itself.<sup>1</sup>

But accessing the customer data needed to function in this fashion requires that customers trust the insurance provider concerned—and trust is in increasingly short supply. Various scandals have put many people off sharing their personal data. Many also question the value they're receiving in return. In one recent survey, for example, the majority of respondents didn't trust public or private institutions to handle their data "properly" and didn't think they were being given a fair payback for the data they shared.<sup>2</sup>

Insurers haven't been immune to these trends. Research from the IBM Institute for Business Value shows that only 37 percent of customers fully trust their own insurer, and only 42 percent say it can be counted on to provide good service.<sup>3</sup>

*“Our top challenge is earning enough customer trust to access data that we can utilize to better serve our clients.”*

CIO, Insurance, Australia

*“We understand that taking good care of data is part of our license to operate.”*

CEO, Insurance, Netherlands

## Three pillars of data integrity

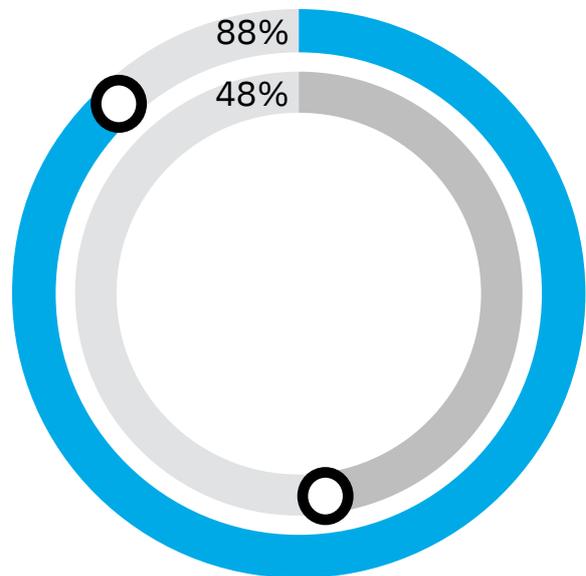
Suspicious about biased algorithms, the invasion of their privacy, and being manipulated or exploited are actively eroding customers’ trust in some insurers—but not all. Nearly nine in ten Insurance Torchbearers are using data extensively to strengthen the degree of trust their customers place in them (see Figure 3).

**Figure 3**

### The trust paradox

Insurance Torchbearers mitigate people’s fears to enhance customer trust

*Using data extensively to strengthen customer trust*



**Insurance Torchbearers**  
**Insurance Aspirationalists**

Three principles—transparency, reciprocity, and accountability—guide the way Insurance Torchbearers handle data and how they engage with their customers. These “pillars” support virtually everything they do.



## Transparency

Customers want to be assured that their personal data is being used ethically. Insurance Torchbearers therefore create—and publicize—codes of conduct that specify how and when the customer data they gather should be utilized.

Customers also want to know that what they’re buying does what it purports to do. For insurers, this means

using plain language in their policies and being upfront about the terms, rather than burying exclusions in the small print.

Transparency constitutes proof that an insurance provider and its offerings are what the company claims they are. Often, that proof takes the form of customer reviews, buyer testimonials, and accreditations from third parties.



## Reciprocity

Customers, likewise, want something material in return for the data they share—and by material they mean something *they* value. This may be a financial benefit, such as reduced premiums for low-mileage drivers. Alternatively, it can take the form of added convenience or safety, such as when an insurer issues warnings to motorists who are about to embark on potentially hazardous routes.

Some companies also share what they’ve learned from the data they collect. US-based insurer John Hancock has, for example, partnered with health and wellness company Vitality Group to provide personalized advice on fitness, nutrition, and other health measures.<sup>4</sup> Similarly, AXA XL, the commercial arm of global insurance giant AXA, has allied with a startup called Parsyl to monitor the condition of goods as they’re transported around the world. It uses the supply chain data it gathers to help clients prevent shipping problems.<sup>5</sup>



## Accountability

Lastly, customers want to know that their privacy will be respected and their data kept secure. The odds of experiencing a data breach are rising and, on average, it now takes 279 days to contain a breach.<sup>6</sup> So customer data in companies whose security has been compromised may be vulnerable for long periods of time.

Insurance Torchbearers prioritize data privacy: 54 percent see it as a top competitive advantage, second only to brand value. They also make data security part of their overall security framework. In addition to using conventional data security tools, techniques, and processes, they employ cognitive technologies to analyze security trends, pinpoint cyber threats, and plug any gaps in their defenses.<sup>7</sup>

## Big trust equals big data

Insurance Torchbearers are ahead of the game in yet another respect. New regulations and changing consumer sentiment are constraining access to—and use of—customer data. Customer consent for cookies is now mandated, and individuals have the right to insist that their personal data be purged. The laws on how enterprises share data have also become much tighter.

But more than six in ten Insurance Torchbearers tell us they already have a treasure trove of accurate, actionable customer data—data that can provide a 360-degree view of their customers (see Figure 4). This, in turn, enables them to offer the customized coverage that customers increasingly demand.

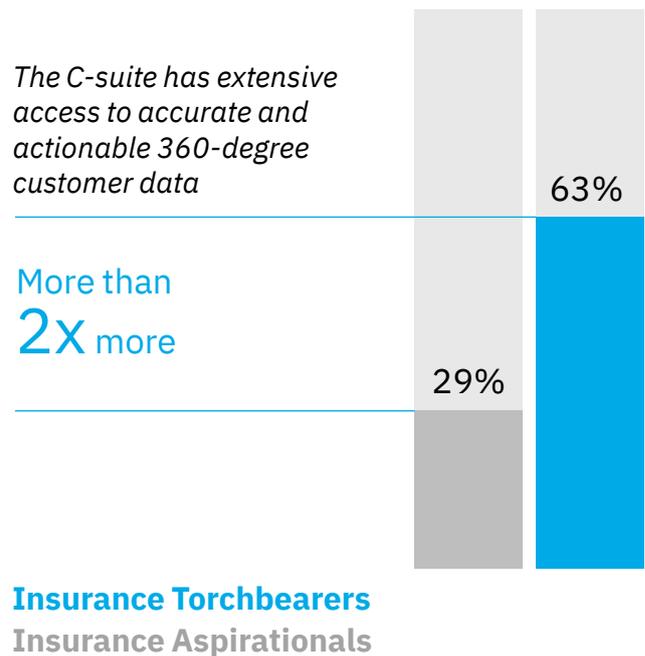
The younger generations, in particular, aren't satisfied with “one size fits all” insurance. They expect insurers to offer highly personalized products that complement their own online lifestyles. Moreover, they can choose from a growing array of providers, with newcomers like Chinese messaging app WeChat entering the scene with its insurance service, WeSure, and insurtechs extending their reach.<sup>8</sup>

In short, Insurance Torchbearers have realized something crucial: data is an asset, but trust is the currency of exchange. If customers trust a company, they may be more inclined to let it keep the personal data about them that it already holds and collect more such data in the future. And the better a company understands its customers, the better it can compete in an increasingly crowded market.

**Figure 4**

### Uncovering the data

Insurance Torchbearers are building new data sources



## Action guide

### *How to win in the trust economy*

#### **1. Play it straight**

Use data in a way that customers view as fair. Provide clear, consistent information about your offerings; be transparent about exclusions; and deal openly with feedback on social media. Engineer your workflows to share permissioned data with intermediaries and present one face to the customer.

#### **2. Give something back**

Ask your customers what they would regard as an equitable exchange for their data and what tradeoffs they're willing to make. Consider alternative forms of value, such as risk consulting and third-party care. Make sharing data easy, using interconnected technologies such as the Internet of Things.

#### **3. Show you mean what you say**

Identify where your customers draw the line on privacy and respect their wishes. Draft and publicize a data privacy policy that states how you plan to use and protect customers' personal data. Where you draw on artificial intelligence (AI) to make or support decisions, reveal the reasoning that underlies the algorithms.

#### **4. Think big**

Look beyond traditional forms of coverage to products that mitigate or prevent risk. Capitalize on the industry's role as a provider of "trust products" to become a data curator, instead of a data collector. View data on insured people and goods holistically, in context, to serve customers better in real time.

#### **5. Future-proof your strategy**

Get your customers, intermediaries, employees, and the C-suite in a collaborative "garage" to devise innovative offerings and experiences. Map the customer journey to locate any gaps where trust breaks down. Identify insurtechs with which to build a data-based insurance ecosystem.

*"With more detailed information about our customers, we'll be able to tailor the customer experience more effectively."*

CFO, Insurance, New Zealand

## Chapter 2

# Enterprises

## How to build the human-tech partnership

Insurance Torchbearers have also created a culture of data believers. A full 78 percent—double the percentage of Insurance Aspirational—have C-suites that are predisposed to draw on data when making significant decisions.

## Developing a data mindset

So what has prevented Insurance Aspirationalists from adopting a data-oriented mindset? Functional barriers are one obstacle. Whereas Insurance Torchbearers share data among their business units, the vast majority of Insurance Aspirationalists are still struggling to overcome data siloes (see Figure 5).

Yet data that's locked up is useless to all but the few people with keys. And if an insurer's top executives are fearful of sharing data within their own four walls, how can they possibly expect customers to share their personal data with the company?

*“We’re planning to train our employees and help them use the newest tools with creativity, confidence, and consistency.”*

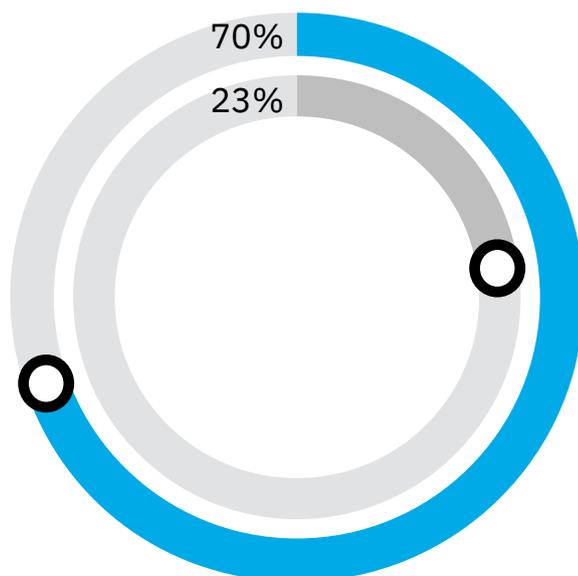
CHRO, Insurance, US

**Figure 5**

### Free to flow

Insurance Torchbearers focus on liberating data rather than confining it

*Data is freely shared across other functional business areas*



**Insurance Torchbearers**  
Insurance Aspirationalists

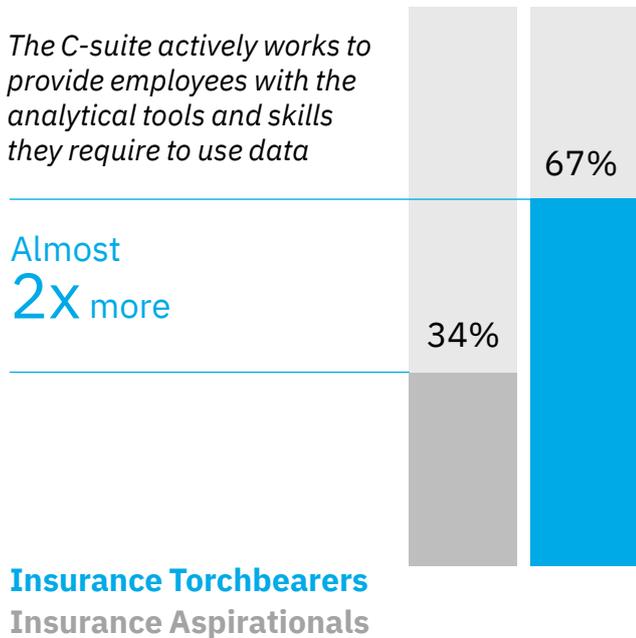
Building a culture of data believers isn't just a question of engaging a company's leaders and tearing down internal barricades to let data circulate freely. It has to be a bottom-up proposition. That's why nearly seven in ten Insurance Torchbearers empower employees to delve into data themselves (see Figure 6).

The C-suites in these companies take great pains to provide the workforce with the relevant tools and training to analyze data. Virtual cognitive assistants, real-time visualization tools, analytics apps, and other such technologies can all play a part here. But the main goal is to bring the data closer to the people who actually use it.

**Figure 6**

### Tooling up

Insurance Torchbearers equip employees to dive into data



## The AI advantage

In addition to fostering a data-hungry culture, Insurance Torchbearers have elevated AI—including machine learning—to the top of their agendas. AI has tremendous potential in the insurance industry. UK provider Standard Life is already using it to predict which customers are most likely to switch providers and identify how best to increase their satisfaction, thus reducing churn rates.<sup>9</sup>

But there are numerous other applications. AI can, for example, be utilized to improve claims processing by sifting through vast quantities of information and mining unstructured data to help claims adjusters estimate damages more quickly and precisely. It can also be employed to detect new or evolving risks and price them more accurately; to alleviate talent shortages by augmenting human expertise; and to manage the hiring cycle for top talent, including recruitment, onboarding, ongoing training, and succession planning.<sup>10</sup>

Used in conjunction with connected devices, AI is even opening up opportunities to move from conventional insurance into mitigation, prevention, and assistance. Groupama Assicurazioni, the Italian subsidiary of French insurer Groupama, is one such case. The company leverages the telematics data it collects to find stolen vehicles, alert emergency services when there's an accident, and help customers navigate their routes based on weather patterns or road closures.<sup>11</sup>

However, AI requires data that’s clean, curated, and contextualized; that’s why the majority of Insurance Torchbearers have put proper data governance in place (see Figure 7). They realize it’s imperative to establish clear rules for collecting, using, storing, and sharing data; track the lineage of the data; and scrutinize their AI models and algorithms carefully to uncover unwitting cognitive biases.

*“We anticipate that a lot of insurers will try to become service providers by shifting from protection to prevention.”*

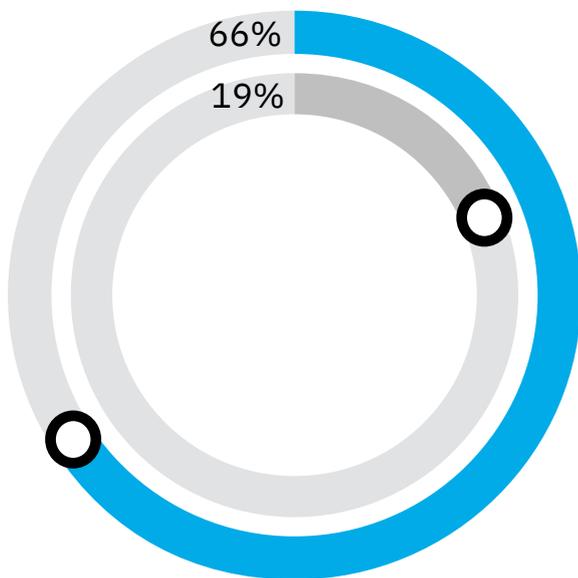
CMO, Insurance, Italy

**Figure 7**

### Ruling principles

Insurance Torchbearers practice good data governance

*Governance clearly defines rules for the collection, use, and sharing of data*



**Insurance Torchbearers**  
Insurance Aspirational

*“We’re establishing a robust data governance framework, encompassing everything from data management to data quality.”*

CIO, Insurance, Philippines

## Action guide

*How to build the human-tech partnership*

### 1. Lead by example

Show how the members of your C-suite use data to make strategic decisions. Promote the benefits of using data via internal blogs. Identify how data can benefit each step in the insurance value chain, and look for instances where data from one department could be helpful to other departments—if shared.

### 2. Empower employees to become data citizens

Equip all your employees with the tools they need to dig into data, even if they aren’t data scientists. Experiment with different technologies. Evaluate their impact, especially in areas that are going through major change, such as policy administration and claims processing.

### 3. Embrace continuous learning

Invest in e-learning programs to help employees update and expand their skills. Use workforce planning tools to support agile teams and integrated workflows. Conduct regular, cross-functional skills assessments to identify any gaps in expertise; and review your programs for hiring, training, and managing talent on a regular basis.

### 4. Model and measure

Create a data model and robust rules for curating your data, including metadata on its content, structure, and lineage. Assess the quality of the data, especially data that’s been created by combining internal and external sources. Allocate a “confidence” rating to each asset.

### 5. Document the details

Build a master data catalog that specifies where all your data resides and who’s responsible for maintaining it. Encourage employees to use the catalog, rather than asking colleagues for help. Develop a consistent policy covering access rights.

## Chapter 3

# Ecosystems

## How to share data in the platform era

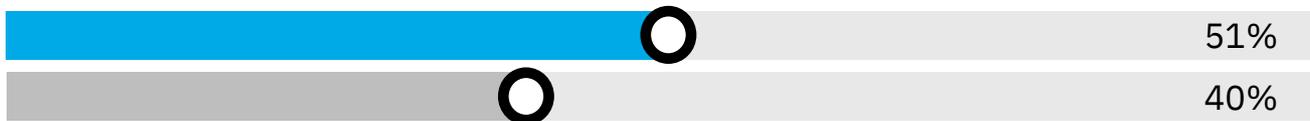
Insurance Torchbearers not only place more reliance on data to guide their decisions; they use data to make different kinds of decisions from Insurance Aspirationalists. They say data is especially valuable in helping them define their enterprise strategy and vision. Insurance Aspirationalists, by contrast, see data primarily as a means of pinpointing areas where costs can be cut (see Figure 8).

**Figure 8**

## Different data duties

Insurance Torchbearers use data to shape their strategy, while Insurance Aspirationalists use data to cut costs

*Define enterprise strategy and vision*



*Reduce costs*



*Identify revenue growth opportunities*



**Insurance Torchbearers**  
**Insurance Aspirationalists**

## Sharing data judiciously

Nevertheless, most insurance executives agree on one thing, irrespective of where their companies stand on the path to data leadership: ecosystems are central to their plans. A full 83 percent of Insurance Torchbearers and 68 percent of Insurance Aspirationalists envision working with a larger network of partners in the future.

Operating as part of an ecosystem brings several obvious benefits. It enables insurers to expand their range of offerings and deliver richer customer experiences, which typically results in greater customer loyalty. It may also give them access to

new customer data without having to collect the data themselves, although customers must give permission for their data to be shared with third parties.

But the flow of information has to go both ways. Networks can only function effectively if the members share considerable amounts of internal data with each other. More than half of all Insurance Torchbearers have grasped the implications and already share data extensively with their partners, whereas less than a third of Insurance Aspirationalists are ready to “open their books” (see Figure 9).

That said, not all data should be shared. Some information *ought* to be kept confidential, either because it provides a proprietary advantage or because disclosing it would violate customers' privacy. Thus, it's essential for all insurance companies to provide definitive guidance on when and how data can be shared, with whom it can be shared, and when it must be safeguarded. Compliance with these policies must also be monitored and enforced, both to stop sensitive data from falling into the wrong hands and to prevent data that can be shared from being locked down unnecessarily, thereby throttling innovation.

*“We believe the insurance industry will provide products and services through partnerships and open ecosystems in the next few years.”*

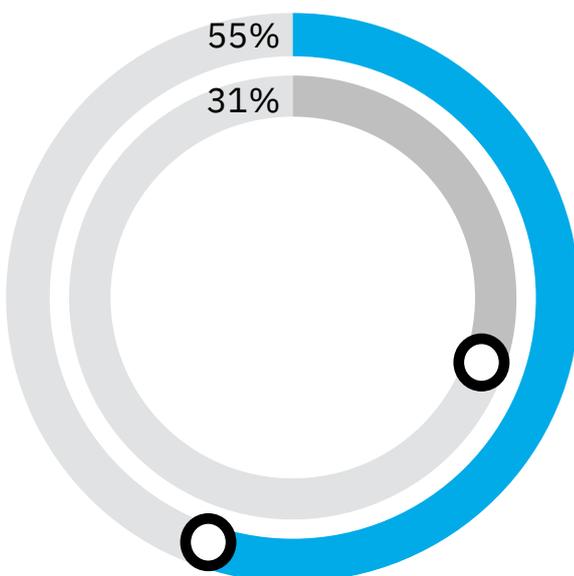
CMO, Insurance, Japan

**Figure 9**

## Open for business

Insurance Torchbearers are much more willing to share data with the rest of their ecosystems

*Acquiring and sharing data extensively with network partners*



**Insurance Torchbearers**  
Insurance Aspirationalists

*“The major benefit of using a platform for data-based products is real-time analytics, which allows us to derive conclusions from the raw data.”*

Head of Strategy, Insurance, Germany

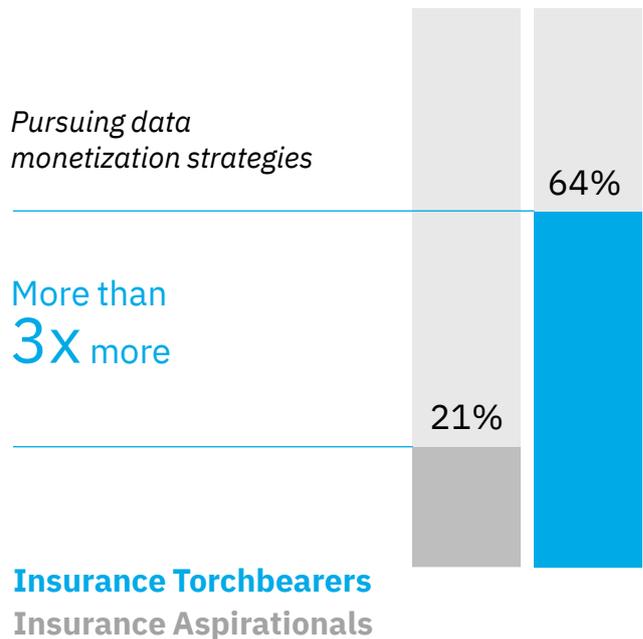
## Reaping the return on data

The Insurance Torchbearers in our study have already started figuring out where to draw the line. They’re quantifying the value of their data, determining how that value might grow when it’s shared, and devising strategies for monetizing their data without forfeiting the trust of their customers or partners (see Figure 10).

**Figure 10**

### Net worth

Insurance Torchbearers are integrating new modes of monetization into their data strategies



Some insurers aim to use their data to cross-sell to existing customers more efficiently. Others intend to develop new data-based products. In fact, earlier research by the IBM Institute of Business Value shows that 90 percent of insurers plan to offer such policies—often referred to as “pay as you live” or “pay as you drive.” Platform models make these products easier and simpler to implement.<sup>12</sup>

Yet other insurers are expanding into adjacent service areas. Various companies in the US, UK, and Australia have, for example, teamed up with California-based Roost to provide smart home insurance, using smart sensors such as smoke and water detectors to mitigate damages and facilitate claims.<sup>13</sup> Meanwhile, Italian insurer Generali provides a babysitting service for customers who are hospitalized, and UK insurer RSA Group has launched a risk-engineering database that enables its commercial customers to model and manage their individual risks in real time.<sup>14</sup>

New technologies are opening up many additional opportunities, particularly in the market for elderly care, where home and health monitoring could be combined. German insurer R+V has, for example, partnered with humanitarian aid agency Malteser Hilfsdienst to equip the homes of elderly customers with sensors and the ability to call for help in emergencies.<sup>15</sup>

For the most imaginative, pioneering insurers, the possibilities are virtually endless.

## Action guide

### *How to share data in the platform era*

#### **1. Plug into business platforms**

Explore the potential for building a platform. Assess your company’s strengths and weaknesses, compared to other insurers, to identify whether it has the right qualities to become a platform orchestrator. If not, define the sort of ecosystem you want to join and what your company can contribute.

#### **2. Set the standards**

Partner with trade organizations, government agencies, and local communities to promote long-term, sustainable growth. Get involved in developing industry standards. Work with the regulators to implement new laws and directives, rather than waiting for others to write the rules.

#### **3. Prepare to share**

Decide what data you can—and can’t—share with third parties. Put mechanisms in place to preserve the security of data that should be kept confidential. Create clear guidelines for managing shared data, including allocating liability for its misuse.

#### **4. Weigh up the worth of your data**

Quantify the value of your data. Now consider its value to other organizations, whether they’re in the same industry, adjacent industries, or unrelated sectors. Ascertain which data would grow in value, if shared—for example, fraud data that could be proactively circulated to prevent insurance scams.

#### **5. Mind the gaps**

Ask yourself whether external data could enhance the value of the data you already hold and, if so, where to obtain it. Capitalize on new, more diverse forms of data, such as unstructured data from social media sites, blogs, videos, and the like. Leverage hybrid clouds to scale up, as you broaden the scope and diversity of your data sources.

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