

Why a data driven culture is essential for today's insurers

9 April 2019 | Digital Transformation | [Markus Reding](#)

Reading time: 6 minutes

Big Data is part of the DNA of every insurer. Despite this, insurance companies are still a long way from systematically using large amounts of data. At the moment, the data is only used for internal risk management and pricing - in other words, the data has almost no direct benefit for customers.

The insurance industry lags behind in terms of digitisation. The insurance business is extremely complex and has developed organically over time. Even within a company, accessing all the data is almost impossible or requires a great deal of effort. For a long time, market participants did not have to think about the basic principles behind their business models and processes, as neither internal stakeholders nor insurance clients exerted any real pressure and there were no serious competitors.

Now, InsurTechs and other smart players are coming into the market and wooing customers with modern, digital solutions and [offers packaged in a single ecosystem](#). Insurers must therefore now get to grips with the digital transformation. How can they successfully use the new technological possibilities to generate added value for their customers?

Digitisation for risk management

Insurance customers now no longer just want to protect themselves from financial risk. They also want to benefit from the insurer's expertise to improve their own risk management. As well as the standard car insurance, an insurer can offer additional services, such as a weather service. Customers would be warned of hail at an early stage, allowing them to put their car in a safe place beforehand, thereby saving themselves from having to deal with, and claim for, possible hail damage. If an insurer succeeds in offering risk management as an exclusive service, it will strengthen customer loyalty in the long term.

One such option [for insurers is to provide some of their own expertise and data to customers via a platform](#). The good news is that insurers have huge amounts of data, generated during claims processing and risk analysis - and this will always be the case. The task now is to make data that was previously available to a greater or lesser extent offline, available to customers online, and to present it in an intuitive way. The aim here is [to offer an exclusive service that customers will not want to do without in the future](#).

Factors for successful digitisation

How can insurers successfully create a solution from the status quo with added value for their customers?

- The customer journey is the starting point,
- digital transformation is the method,
- and a risk management platform is the solution.

The development of the platform should be interdisciplinary and involve business, technology and experience design in equal measures. The platform enables the insurer to exploit the potential for increased customer loyalty, higher process efficiency and up- and cross-selling.

Such digitisation initiatives are a challenge both from a technical and an organisational point of view. There are four key factors that have to be considered:

1. A clear vision

Getting a digitisation project over the finish line requires a clear vision. What benefits do you want to offer customers? And how will this be reflected in the company's own success? A vision helps to maintain the focus. Digital transformation typically has many different aspects, making it easy to get lost in technical details, instead of focusing on your own scope.

2. Other sectors as pioneers

In other sectors, suitable solutions may have been implemented for some time. When embarking on digitisation initiatives, it is vital to look beyond your own narrow horizons. And the choice of the right partner is even more critical. A service provider who brings experience and insight of such projects from other sectors can give the insurer the desired competitive advantage.

3. Data is king

A company's data makes up a large part of its USP. What is crucial is that this information is used correctly to create added value for end customers. It is therefore necessary to get to grips with the data from the beginning. What data already exists? What other data could be generated and processed? What kind of data is of interest to customers? And how can it be used to develop new services? It is necessary to bear in mind that even the best framework is useless if it does not benefit customers.

4. Integrating the Internet of Things

By using smart connected devices and sensors, insurers can collect the right data directly at source, i.e. from the customer's operational process. This should then be linked to other data and sources in order to offer the customer added value.

Digitisation as an opportunity for insurers

Any digitisation initiative must be designed from the start in such a way that the developed solution can be continuously expanded. The approach and also the technical architecture must allow maximum flexibility. As a result, this also means that such projects are never really completed. As soon as the platform is launched, the process of further developing it and developing new services begins.

[Digitisation offers a wealth of possibilities](#). Insurers need to identify and systematically exploit them in order to build a sustainable competitive advantage in their increasingly dynamic industry.

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Parts of this article were originally published in the book “Digitale Transformation gestalten” by Philipp Sutter and Prof. Dr. Oliver Gassmann. The book [is available in German from the publisher Hanser Fachbuchverlag](#). The second revised and expanded edition was published in March 2019.



The second revised and expanded edition of “Digitale Transformation gestalten” was published in March 2019. (Image: Zühlke/Simon Ziffermayer)