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Today only 18% of insurers are able to optimize data use for competitive advantage

Capgemini's latest report found that only four in ten insurers were able to describe their risk selection and pricing as "fact-based and data-driven".

Paris, January 27, 2022 – An increasingly volatile market, aggravated by the climate crisis, global economic shocks, and technological advancements in areas like autonomous vehicles has highlighted the use of data to properly understand, price, and manage risk. Today 40% of insurers are using data to enter new markets, while 43% have modernized and upgraded their risk algorithms. This is according to a new report published today by [Capgemini Research Institute](#) titled, "[The data-powered insurer: Unlocking the data premium at speed and scale.](#)"

Insurers with non-traditional, real-time data sources such as telematics, wearables and social media data will be able to meet rising customer expectations of convenience, customized advice, and dynamic pricing, and compete with InsurTech companies that are able to access personalized insights. Insurance organizations that have mastered this are called *Insurance Data Masters*. More than 90% of these have reported higher premiums, improved combined ratio, and stronger net promoter scores compared to only half of their peers. These organizations exhibit three key differences with the rest: 92% have a centralized governance or facilitation body, 62% have collaborations with InsurTechs and 97% have created open application programming interfaces (APIs) to allow external parties to access their data.

"It has become increasingly difficult for traditional insurers to compete with InsurTech companies," said Seth Rachlin, Global Insurance Industry Leader at Capgemini. "These organizations can only compete by embracing a data-driven approach to win market share, improve key ratios, and generate superior risk intelligence."

Insurers are leveraging data to grow profitably

The report found that insurance organizations are using data to; 1) develop new solutions, 2) create value-added services to engage customers, and 3) enable unique insights into risk and its pricing. Powered by data, over 40% of insurers are entering new markets, shifting from protection to prevention, and revisiting actuarial assumptions. Additionally, 43% of them are using real-time data to update actuarial models, while around a third can use data to model new risks.

Many insurers are also making targeted investments in data, such as modern risk algorithms which visualize data quickly at the point of decision and ingest a wide variety of data sources. Around 43% of insurers have modernized and upgraded their risk algorithms in the past two years. As a result, around 39% of insurers were able to describe their risk selection and pricing as fact-based and data-driven.



Larger insurers are at more advanced stages of data-driven implementation

"Only 18% of insurance organizations have both the technical capabilities, as well as culture and behaviors to support data-driven programs that derive full value from the growing volume of data," noted Ramana Bhandaru, Global Financial Services Insights & Data Leader at Capgemini. "These organizations are referred to as 'Data Masters' and they are considerably larger than their peers, with most averaging over \$20 billion USD in revenue."

Additionally, 61% of these large insurers have gained mainstream adoption or reaped transformational benefits from their data initiatives, compared to only 16% of small insurers. A significant reason for this difference could be the underinvestment by smaller firms in technology modernization, with smaller insurers facing challenges with legacy systems and monolithic architecture more often than large insurers.

Compared to their peers, Data Masters stand out in a few key areas. Nearly all insurance Data Masters (97%) have created application programming interfaces (APIs) to allow external properties to access their proprietary data, compared to only 36% of their peers. Nearly 90% of these Data Masters can also easily link external sources with their platforms to create a mutually beneficial exchange, leading to 39% of these organizations achieving faster and more accurate claim settlements.

Insurers can become data-powered by aligning data strategy to business strategy

The report found that only 41% of insurance organizations ensure that their data executives align organizational data/analytics strategy with the overall business strategy. To become data-powered, insurance companies must align and invest in four key areas:

- 1. Build the infrastructure to allow rapid implementation of data-derived insight:** A modern technology platform is needed to streamline disparate systems; generate a unified view of risk; and provide the required data in a timely fashion.
- 2. Establish an appropriate operating model to scale data-driven insurance use cases:** Create a hub-and-spoke model to democratize use cases.
- 3. Foster a strong data culture across the organization:** Adopt agile ways of working and empower employees at all levels with tools and skills to apply data. In an agile culture, business teams can work alongside data experts to build and test new ideas.
- 4. Orchestrate an open-data ecosystem:** By participating in data ecosystems, collaborating with InsurTechs and establishing a data-driven approach to incorporating sustainability.

Report Methodology

The Insurance Data Masters Report 2022 interviewed 510 executives across 204 insurance organizations. Each organization was required to have one data specialist along with one business executive for every business line. Further, 10 interviews of insurance executives were conducted to gain their views and expertise on these insurance organizations.

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