

RELTIO

Insurance industry
trends and solutions
for data challenges



Introduction

Even though insurance companies traditionally relied on data for key business decisions, they are facing compounded data challenges that hinder customer experience and ultimately impact profitability. Customer interaction preferences and service expectations are changing. Their loyalty is fleeting, as new digital-native competitors emerge and put pressure on the operating models of traditional insurers. To succeed and grow in this new era, insurance companies need to make major shifts and rapidly bring new capabilities to the market. Both digital technology and data management practices are central to this transformation.

“Insurers are faced with having to rethink product design to fit new lifestyle and unmet consumer needs, transform customer engagement, empower stronger ecosystems, and build new value propositions to drive greater customer outcomes.”

Source: Gartner® [2022 CIO and Technology Executive Agenda: An Insurance Perspective](#), Kimberly Harris-Ferrante, November 10, 2021

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Insurance leaders are facing aggressive business demands

The industry incumbents are facing formidable challenges across various dimensions—in essence creating a perfect storm.

- 1. Customer purchase preferences are changing:** Consumers expect better customer experiences at every touchpoint, especially via digital platforms. This requires insurers to build rapid and smooth onboarding and remove unnecessary interaction barriers throughout the customer journey. As customers purchase new policies, add additional coverage, or file claims, they expect to navigate through every stage of that process quickly and smoothly, using digital self-service tools to monitor their own progress. Millennials and other digital natives—an increasingly larger pool of prospective customers—are raising the bar by expecting personalized and frictionless digital experiences.
- 2. Customer loyalty depends on innovative product offerings:** Although many customers remain loyal to the insurer, some do not—even if they have a long history with them. According to an Accenture analysis, customer retention rates hover around 85% for most insurers. But customers are switching providers to get the products they want. The new generation of consumers demands new product offerings and bundles that factor in their lifestyle and related needs. These include usage-based insurance that maps to their specific lifestyle or policies that are priced for their individual risk rather than on a generalized pool-based representation of likely risk.

Even the needs of the business insurance customer are changing. Many of today's Fortune 1000 companies are not dependent on physical assets such as manufacturing plants, inventories, and other tangible assets for their market value. Their balance sheets are heavily skewed towards traditionally uninsurable intangible assets—intellectual property, data, brand, and reputation. These businesses are instead looking for insurers that can provide the entire portfolio, including cyber insurance or IP insurance to support their evolving needs.

- 3. Classic operating models are increasingly under pressure:** The industry is facing unprecedented pricing pressure, driven by fee transparency, digitally-savvy competitors, and lower-cost options. Figure 2, for example, highlights where the insurtechs are disrupting the industry value chain. As a result, revenue growth and profits are facing significant headwinds. In response, insurers need to make significant changes to their operating models to reduce their costs and bring agility into their product development and introduction processes. They need to expand current distribution channels and build omnichannel experiences for fast, reliable responses during the few moments of truth, such as in sales and claims.

To keep and grow customers, some traditional insurers are increasing investment in direct online sales, while hedging their bets by supporting agents and brokers in a variety of ways—from prospecting to sales management.

Insurtechs have emerged across the value chain and lines of business, with concentration in distribution

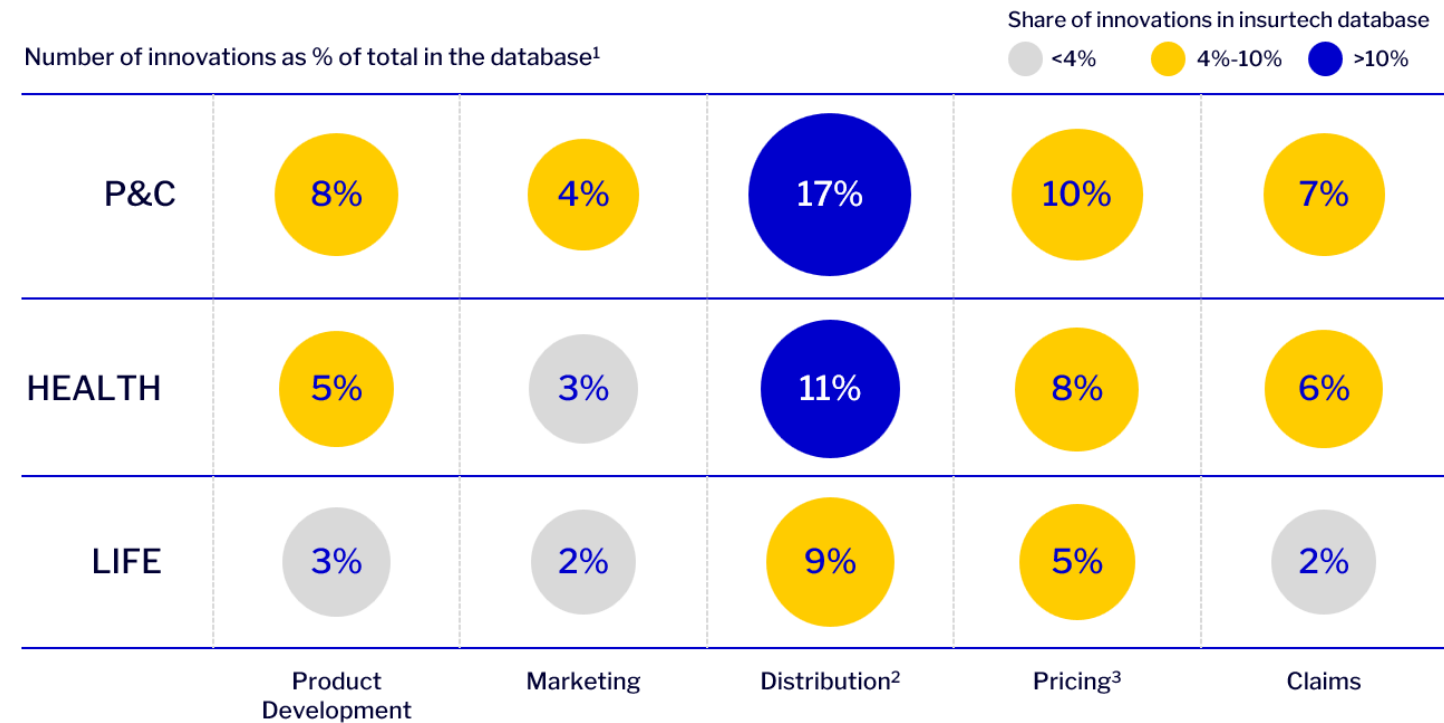
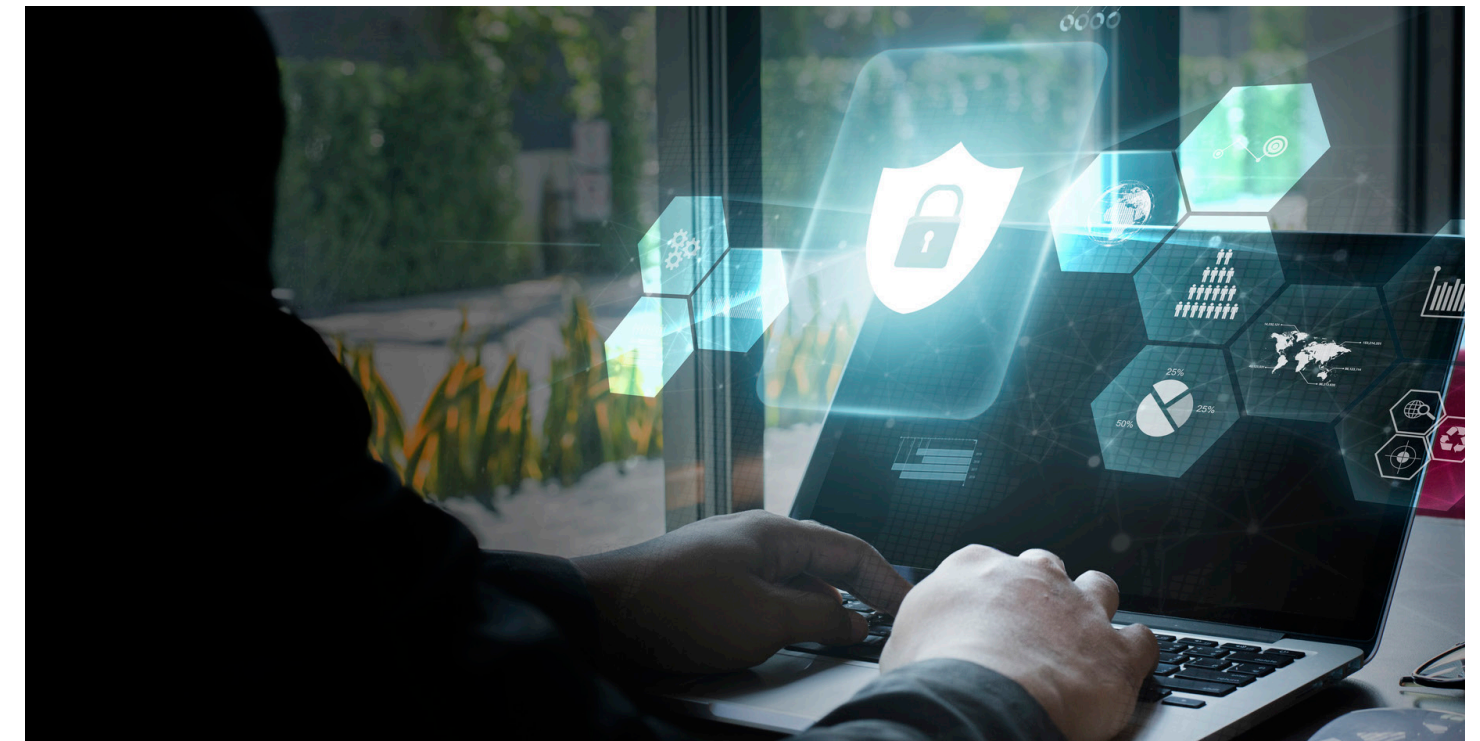


Figure 2: Where insurtechs are investing along the value chain.
 Source: Accenture report '[Innovate for resilience and new insurance revenue](#)'

- 4. Data protection and privacy concerns:** Cybersecurity and data privacy are prominent concerns not only because of increasing regulatory pressure, but also to build trust with consumers. Due to rapid increase in data volume through sensors, third-party aggregators, and other alternative sources, data protection and privacy management is more complex. According to [Deloitte Research](#), 70 percent of those surveyed expect to boost spending on data privacy in 2022.
- 5. Race for intelligent operations:** Insurance companies need to increase digitalization to retain customers and keep up with competitors. Not only will it enhance the customer experience at the front end, but automation, data science, and analytics will drive productivity gains and improve operational performance at the back end. These investments in back-end operations will drive straight-through processing, “next best action” recommendations, rapid risk assessments, dynamic pricing, and more. Insurtech companies excel at using modern technologies effectively even as incumbents rush to invest in similar solutions and face significant challenges due to working with legacy systems.



How insurance companies address these issues

In the face of these disruptive changes, carriers need to deliver new value propositions to acquire and retain customers. Based on our analysis of how our [insurance industry customers are using our technology](#) to compete effectively and grow the business, here are the nine business initiatives insurers invest in (Figure 3).

Growth	Efficiency	Risk & Compliance
Omnichannel Engagement	Digital Self-Service	Fraud Detection
Customer Centricity and Targeted Marketing	Intelligent, Automated Policy & Claims Management	Evidence- Based Loss Prevention
Value-Based Agent/Broker Management	Partner Ecosystem Collaboration	Privacy and Consent Management

Figure 3: Key initiatives insurers are investing in to address the consumer trends and challenges
Source: Reltio internal analysis

1. Drive growth

- a. **Omnichannel engagement:** Customers demand great service. They engage with you via a channel based on their convenience and preference. By providing them an amazing brand experience across any channel through which they engage, you can increase retention, loyalty, and wallet share.

“Consumers are more digital than ever, expecting omnichannel interactions and faster transaction processing.”

Source: Gartner® [2022 CIO and Technology Executive Agenda: An Insurance Perspective](#)

- b. **Customer centricity and targeted marketing:** Service expectations of customers have changed, influenced by the engaging experiences from e-commerce sites they visit and the apps they interact with every day. To meet their expectations, you need to understand their end-to-end journeys across all touchpoints, as well as their recent life events, so you can present them with personalized offers and opportunities, including “next best offers” to increase upsell and cross-sell.
- c. **Value-based agent/broker management:** The foundation of your growth depends on the relationships you have with your brokers and agents. The broker segment has lately been consolidating due to M&A, putting pressure on you to retain your best-performing brokers. As a result, you need to provide brokers with the information they need to help them grow their customer relationships—and their businesses—as well as making it easier for them to work with you.

2. Reduce costs via operational efficiency and process optimization

- a. **Digital self-service:** A digital self-service channel can significantly reduce your costs while providing your customers with faster and seamless quoting, policy management, and claims settlement. Without a quality digital self-service experience, your customers may switch to a more expensive channel such as a call center. Or, worse yet, to another insurer with a better digital experience.
- b. **Intelligent automated claims and policy management:** Innovative carriers are leveraging AI-based technologies to enable underwriters to make faster and more informed decisions, including assessing individual risk for pricing personalized policies. These technologies also speed the claims settlement process, while reducing fraud through real-time detection, and recommending the “next best process step” for new employees. In a race to retain existing customers and acquire new ones cost efficiently, building these capabilities is essential.
- c. **Partner ecosystem collaboration:** You can cater to new market needs by collaborating with partners such as car manufacturers, repair shops, legal firms, assessors, and even insurtechs. This will allow you to quickly bring innovative and differentiated products and services to market, enabling you to grow existing customers and acquire new ones from the competition.



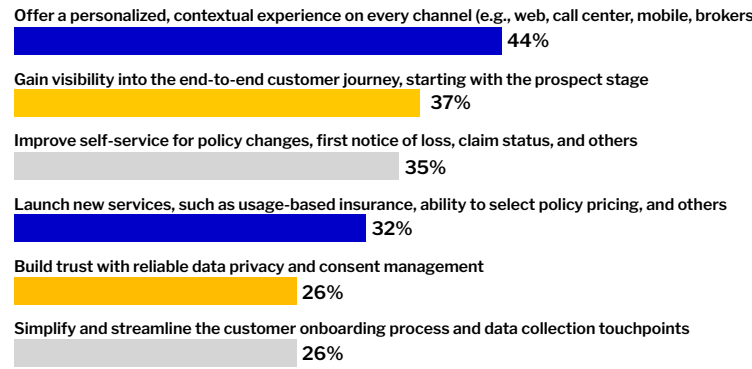
3. Simplify risk management and compliance

- a. **Reduce risk via improved fraud detection:** You can minimize fraud by knowing your customers, their history, buying behaviors, and even social media interactions—and then instantly fueling your risk and fraud management analytical apps with such rich data. These capabilities are essential to reducing losses, while ensuring you can respond to customer claims in a timely manner to increase loyalty.
- b. **Evidence-based loss prevention:** With evidence-based loss prevention services, you can help your customers identify and take preventative measures to lower their risk of property losses and reduce your claims leakage. Using telematics data, for example, you can proactively show customers that their driving habits increase the risk of collision. But to offer these value-added services, you would need to build capabilities to leverage sensors and other data sources in low latency within your decision support systems.
- c. **Simplify compliance with privacy and financial regulations:** Trust is the foundation of your business. It also applies to how you protect customers’ data. To earn customer trust and loyalty while avoiding regulatory sanctions, you want to ensure that your business communicates with your customers based on their privacy and consent preferences. In addition, building detailed customer profiles for KYC and other financial regulations are essential.



A survey of 100 technology leaders from insurance companies across the U.S. and Canada by World Business Research (WBR) Insights asked the respondents to pick their top two goals for enhancing the customer experience and improving the operational efficiency. The results below are shown in Figure 4 and align well with our analysis of the key initiatives that our insurance industry customers are successfully implementing using our platform.

Of the options below, what are two of your top goals for improving the customer experience in the next 12 months?



Of the options below, what are two of your top goals to improve operational efficiency in the next 12 months?

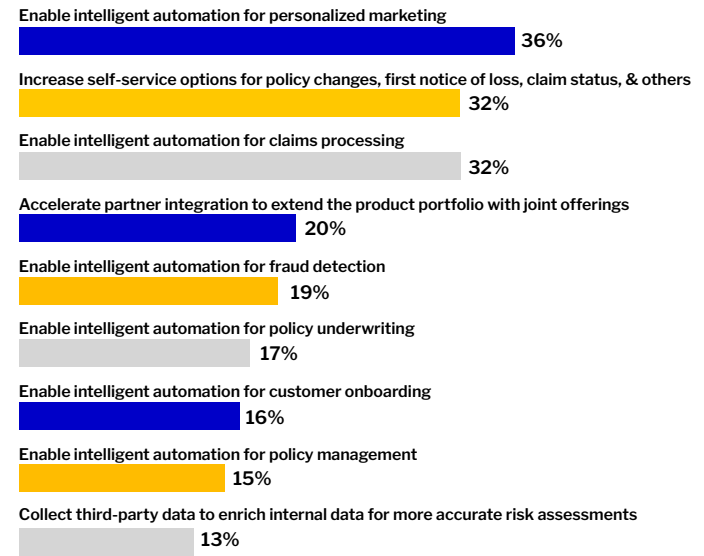


Figure 4: WBR CIO Megatrends Survey Responses

Source: [Insurance CIO Mega Trends - Building Effective Digital Strategies in a Transforming Insurance Market](#)

Leading industry analysts validate the capabilities that customers need to develop to address the unprecedented challenges in the industry. Gartner in their report Four Key Capabilities for Insurers, 2022 and Beyond has identified fundamental capabilities that insurance CIOs must embrace, as shown in figure 5.

Six Capabilities Needed for Growth for 2022 and Beyond

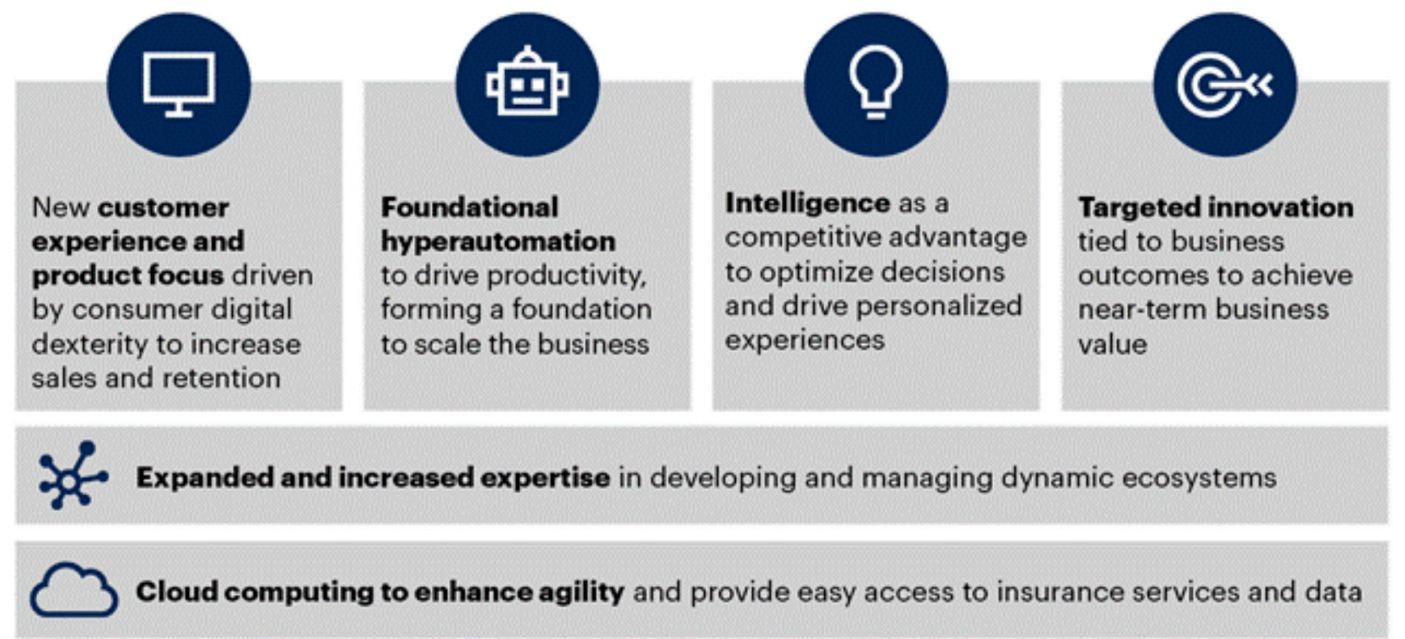


Figure 5: Capabilities that insurers CIOs need to develop

Source Gartner "Predicts 2022: Insurance — Advancing Digital Maturity Will Enable New Ways to Differentiate," Richard Natale, Kimberly Harris-Ferrante, et al., November 2021¹

Your current data management technologies may be a roadblock

As you embark on your initiatives to build the above capabilities, the first challenge you are most likely to run into is the quality of your data. According to WBR Insight’s research on the insurance industry, increasing data complexity is among the top two challenges facing insurers. Application proliferation and increase in data silos is also highlighted among the first four issues in this recent survey (Figure 6).

What do you consider the top two technology challenges facing the insurance industry today?

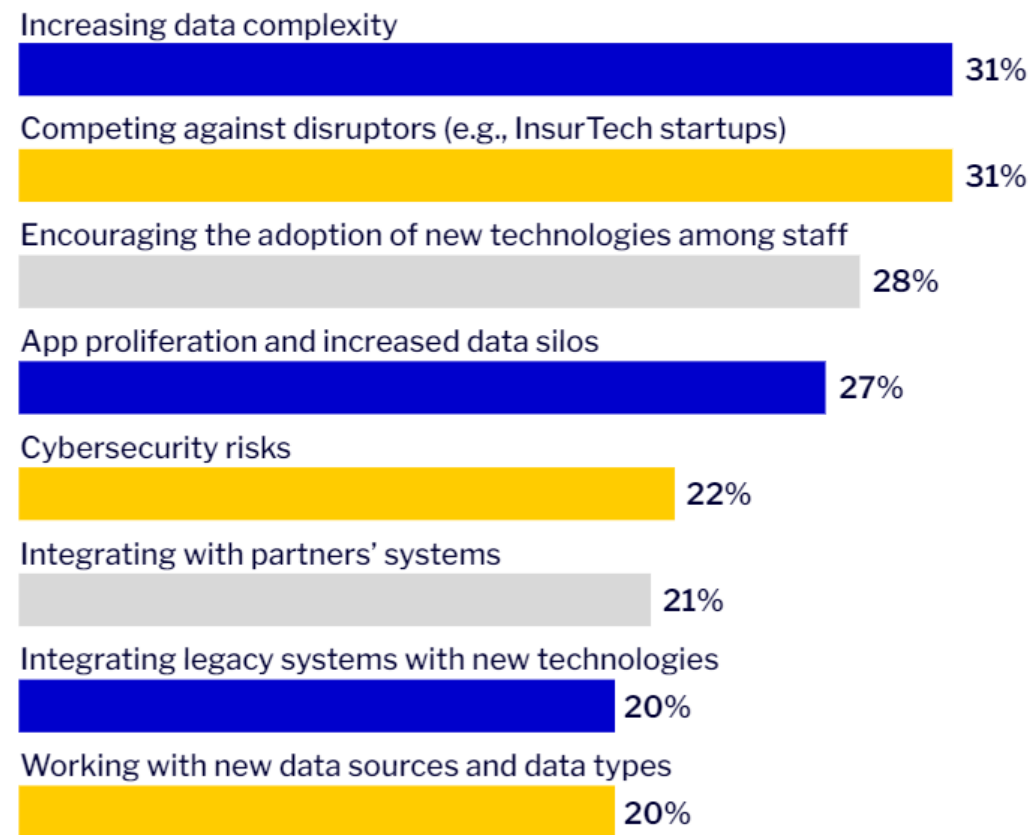


Figure 6: Top technology challenges facing the insurance industry

Source: [Insurance CIO Mega Trends - Building Effective Digital Strategies in a Transforming Insurance Market, 2022](#)

Bringing together customer, policy, broker, claims, and other information from numerous disparate, disconnected systems into a consistent and consolidated view is not a trivial task. This is especially true when your critical policy and claim data is locked in legacy systems. In many cases, multiple systems support the same function—all in silos—with manually-coded, point-to-point integrations between them. This problem is made even worse from M&A activity. As a result, you may be using inaccurate and incomplete data in your business processes, leading to errors, inefficiencies, and customer frustration.

Without the ability to bring together a comprehensive and accurate customer view, you cannot easily provide visibility into all the policies that a household owns, generate multi-policy discounts, or execute personalized marketing campaigns for “next best offers.” More examples of how data quality creates poor customer experiences are shown in Figures 6 and 7. Without a single view of your customer, it is also challenging to deliver on your omnichannel or digital experience efforts.

Aberdeen, in a recent analysis, said, that “If you don’t currently have unified views of customer data, we highly recommend that you consider building the capabilities needed to help align your activities with those of the best-in-class firms that enjoy superior performance results.” Their analysis of the financial services industry found that firms with a seamless customer master data management program consistently showed higher YoY improvements in key benchmarks over firms without a seamless customer master data management program.

Effective Data Management Maximizes CX Results Across Insurance Firms

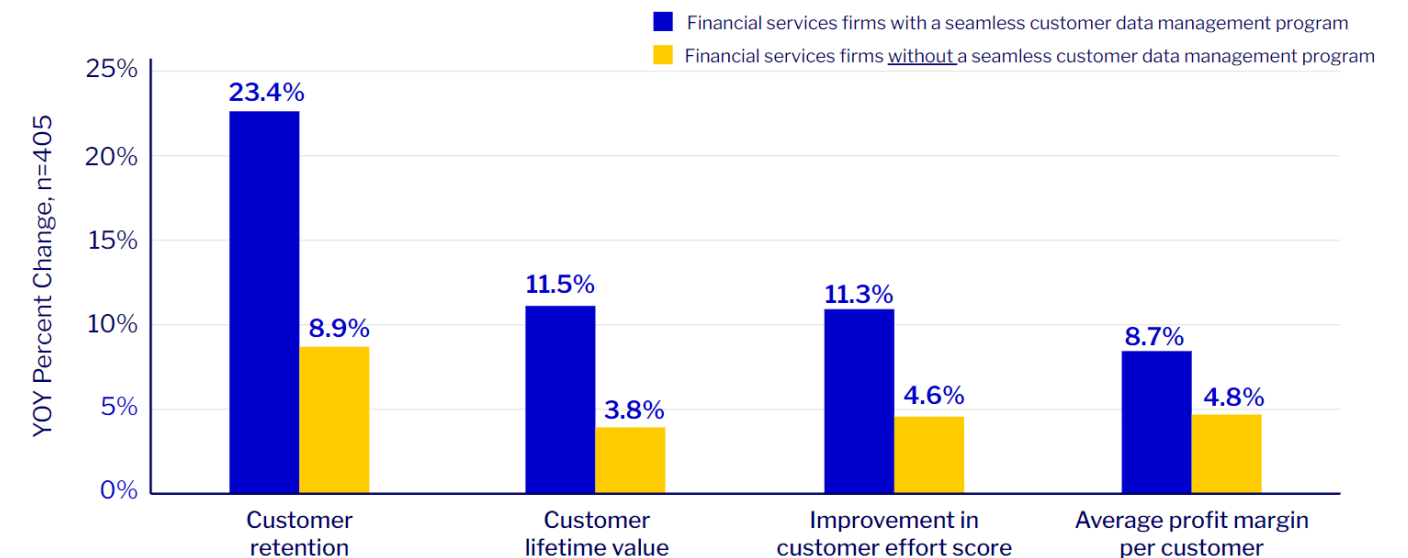


Figure 7: Results of [Aberdeen survey](#) for financial services companies

Inaccurate, outdated, or incomplete data—coupled with use of older technologies—wreaks havoc on your business processes and gets in the way of achieving your digital transformation initiatives. Here are a few examples:

- You cannot identify your customers across channels and see all their relationships with you, making it challenging to make personalized offers
- You cannot see a customer's full journey and assess their lifetime value so you miss opportunities to serve them and their households with innovative products and relevant offers for their life events
- You cannot rapidly expand your product offerings through ecosystem partnerships due to difficulty integrating with their systems
- Your customers experience delays in processing claims
- You cannot harness the full power of ML/AI-based systems for real-time risk assessments for underwriting new policies or processing new claim requests
- Data privacy compliance is difficult, leading to potential fines and loss of customer trust, because consent permissions captured independently in various systems are not shared across the enterprise
- Building a detailed customer profile for KYC to support fraud prevention and comply with various financial regulations is challenging

Do You Know Your Customer?

Manual data entry and silos lead to inaccurate, incomplete information. **You cannot recognize them.**



- Is customer Bob J. Smith the same person as Robert Smith?
- Do you know Bob has three policies and no claims?
- What other relationships do you have with Bob?

Do You Have Contextual and Relationship Information?

Wrong identity and incomplete data prevents customer view and tracking. **You cannot see their full journey and value.**



- Do you know Bob has a teenager who will drive soon?
- Can you see who else in his household has a policy with you?
- Can you do lifetime value analysis?

Can You Provide Next Best Offers?

Lacking a true view into customers leads to **missed opportunities to cross-sell and hinders profitable growth.**



- Can you send Bob a discounted car policy before he shops somewhere else?
- Can you notice when he asks for a new quote?
- How do your campaigns perform with your target list?

Lack of unified view of customers, their households, policies, and claims negatively impacts the customer experience. Here is a possible scenario when customer operations are run with fragmented, poor-quality data:

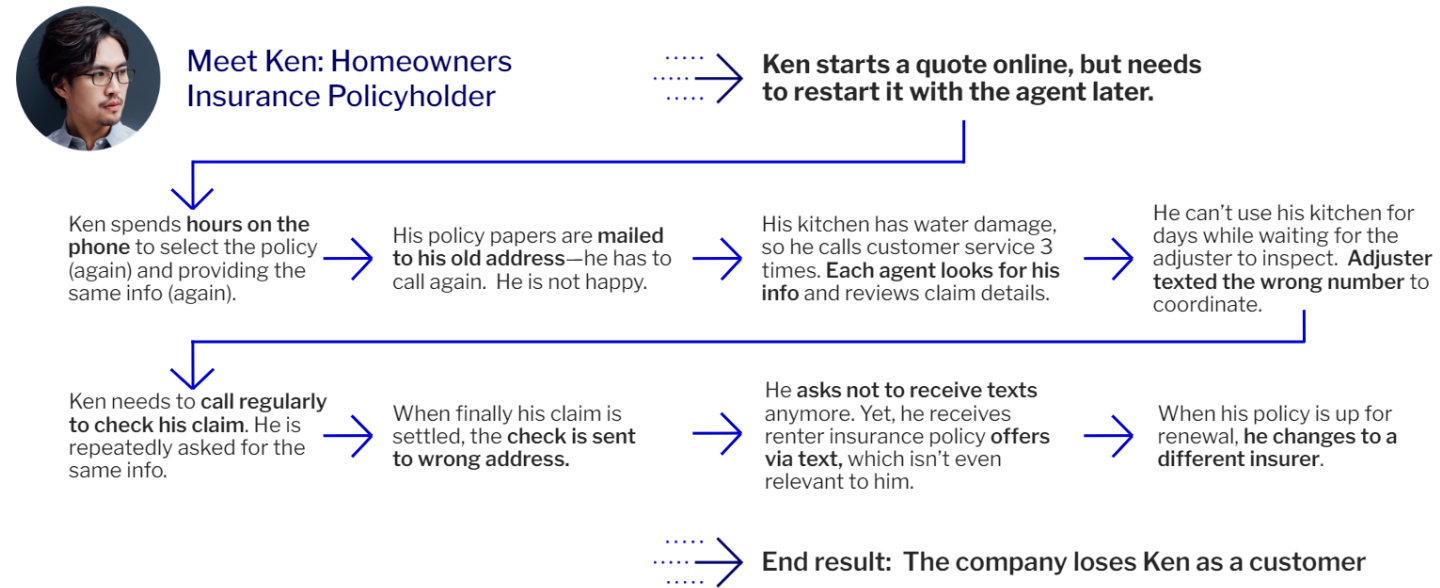


Figure 8: Example of problems caused by inconsistent and inaccurate data across systems, leading to poor customer experience

Next generation master data management (MDM) technologies can address these data issues, making it easier for you to implement transformational initiatives within your organization.

Address these data quality issues using next generation MDM platform

Most insurers today operate multiple systems to manage their operations and customer interactions. This leads to data silos, duplicated data, incomplete data—delivering a disjointed view of the business. An MDM system brings in the master data (such as a customer, policy, or claim) from each of these different systems. It then combines, cleanses, and standardizes these records to create a unified trusted record. This trusted, insight-ready data is then available to operational and analytics systems.



MDM solutions have evolved significantly since the early 2000s. Next-generation MDM systems leverage modern UI and architecture capabilities including cloud, ML, low-code integration, and graph database, among others. Cloud-native SaaS MDM solutions are scalable, agile, and reduce the cost of ownership. Customers always run the current version with zero disruption—there is no need for additional budget for upgrades. Modern MDM offerings also enrich the master record with third-party data (such as demographic data) to add context. If they are using graph technology, they can provide multilevel hierarchy and relationship management.

In a survey of 100 technology leaders from insurance companies across the U.S. and Canada by World Business Research (WBR) Insights, nearly half of respondents (43%) agreed that data management—including integration, quality, and MDM—will be among the most important technologies to their digital transformations over the next 3 years.

Our Approach

Our mission is to accelerate the value of your data. We bring your data together, however complex your environment may be, to create a trusted data foundation—a single source of truth. With a constant supply of unified, cleansed, enriched, and comprehensive data from the [Reltio Connected Data Platform](#) (Figure 8), you have a much clearer picture of your customers and operations—and greater ability to successfully implement your transformation initiatives.

We unify complex data across the enterprise

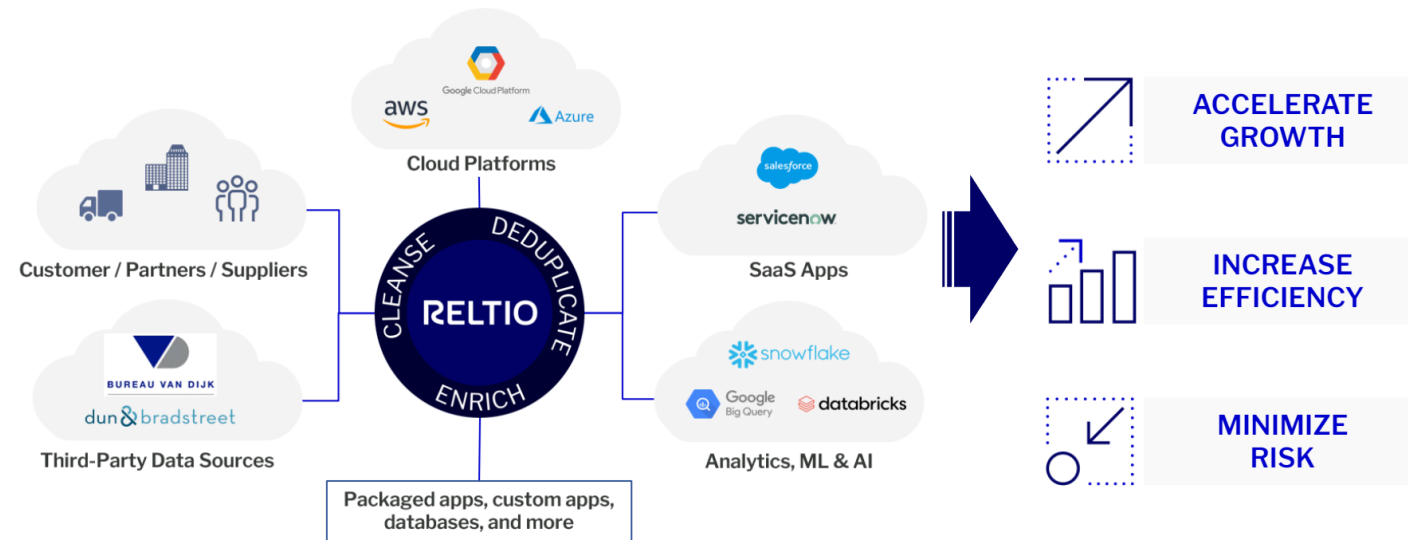


Figure 9: Our platform enables unified, cleansed, enriched, and comprehensive data across the enterprise

The [Reltio for Insurance solution](#) provides an out-of-the-box data model and configurations for the insurance industry and automated householding capabilities to reduce implementation times for insurance use cases.

To address the data quality issues mentioned in the earlier section and support your digital transformation initiatives, our platform offers several key capabilities.

Fueling operational and analytics systems with timely, trusted, insight-ready data:

- Unifies and cleanses customers, agent, policy, and claims data in real time across operational systems, decision support, and cognitive systems
- Provides out-of-the-box data model and configurations for the insurance industry
- Automatically builds households based on your definition
- Cleanses, standardizes, and deduplicates data using AI-based matching or user-definable matching rules
- Creates a data abstraction layer for legacy systems and shares the data with other operational and analytics systems
- Combines first-party data with third-party data for richer, actionable insights
- Continuously validates, curates data, and visualizes data quality metrics for proactive data quality management
- Discovers and graphically visualizes relationships and hierarchies among people (households), policies, claims, and locations

Driving agility and fast time to value for today's real-time business:

- Offers insurance-specific data models and configurations along with automated householding capabilities to reduce your implementation time
- Provides an intuitive, self-service user interface for your business teams
- Leverages low-code/no-code development environment with over 1,000 prebuilt connectors to enable integration within hours or days
- Uses feature-rich APIs for real-time and batch integration
- Connects with external sources such as credit history, sensor and monitoring data, demographics, and sanctioned-party listings for data enrichment
- Adapts rapidly to your business needs with a flexible data model

Delivers enterprise-grade security, scalability, agility, and high-availability with zero effort:

- Deploys as a cloud-native SaaS offering with subscription pricing on all major cloud platforms: Amazon Web Services (AWS), Microsoft Azure, and Google Cloud Platform (GCP)
- Provides out-of-the-box comprehensive security and access permissions, 24/7 security monitoring and threat protection, and encryption support for data in motion and at rest to keep your data secure
- Manages billions of customer profiles, thousands of profile attributes, and easily scales as your business needs change
- Includes high-availability and disaster recovery features as part of the service without requiring extra effort or cost
- Offers Financial Services Cloud, a purpose-built offering for financial institutions to operate with an extra layer of security on top of our already-strong security

Leading insurance carriers such as American Family Insurance, [Empire Life](#), Mercury Insurance, CSAA, and many others are successfully implementing transformational capabilities using our solution.

Empire Life, one of the top ten life insurance companies in Canada, can now tap into the full power of their data to deliver a better customer experience. Their customers can now do anything they need to do online using trusted, connected data without facing data quality related issues.

And customer service representatives can be more responsive with customer data at their fingertips, allowing them to better triage and resolve customer problems. Access to accurate, timely data has increased their first-call resolution rate significantly over what it had been using their legacy MDM software. So, this is a double win—happier customers and a more productive customer service team.

Value Examples for Insurance Companies

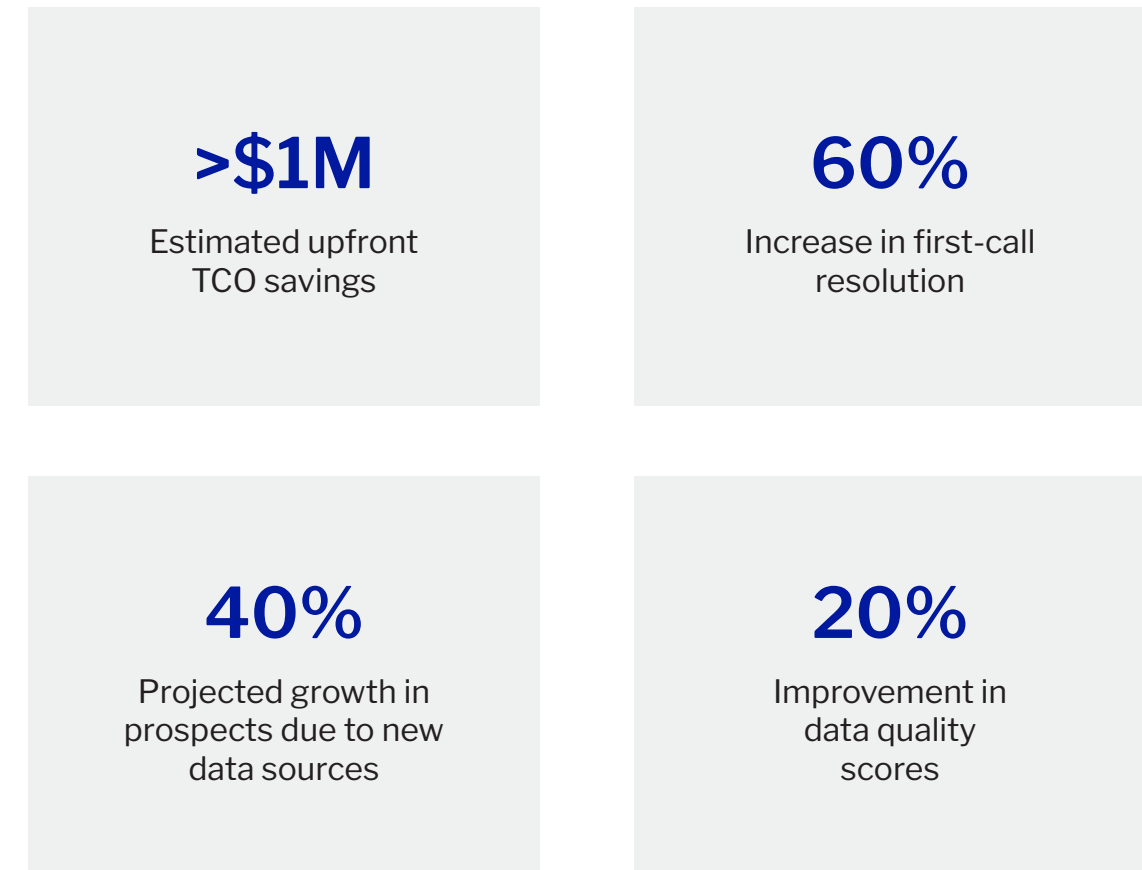


Figure 11: A few examples of value achieved by our customers

Our core focus is to help you gain more value from your data, more easily. We believe that high-quality data is the essential ingredient in transforming your operations and driving positive business outcomes. It is vital to enabling a seamless customer experience that accelerates growth. It improves efficiency and drives operational cost savings. And it simplifies risk management and compliance to reduce your potential losses and regulatory fines. We build a single source of trusted data, so you can focus on making the right decisions, instead of worrying about getting the right data.



Summary

Your industry is facing unprecedented challenges. Your digital transformation initiatives can address those headwinds—but it is not easy. Especially if your core data is trapped in outdated legacy systems. You require timely, accurate, insight-ready data—available when you need it. Integrate and unify your myriad data sources and applications into a consistent and consolidated view of customers, policies, brokers, claims, and more. So you can be a more customer-centric, agile, and profitable business.

Our first-of-its-kind, cloud-native SaaS MDM, Reltio Connected Data Platform creates a unified and trusted view of data across the enterprise. It removes the roadblocks for driving critical initiatives by enabling personalized customer engagement, intelligent operational processes, simplified regulatory compliance, smart broker management, and compelling new products. We put the full power of data in your hands, so you can maximize your impact every day.

WHY RELTIO

We believe data should fuel your success, not hold you back. Our first-of-its-kind, master data management SaaS offering unifies and cleanses multisource, complex core data into a single source of trusted information—in real time. Agile to fit any company's needs and flexes at will. Reltio Connected Data Platform helps you act on your data with confidence. And maximize your impact every day.

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