



## Episode 3: Insights from the 2021 P&C Insurance Advanced Analytics Survey

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NARRATOR: You're listening to (Re)thinking Insurance, a podcast series from Willis Towers Watson, where we discuss the issues facing P&C, life, and composite insurers around the globe, as well as exploring the latest tools, techniques, and innovations that will help you to rethink insurance.

MICHAEL MCPHAIL: Hello, and welcome to our Rethinking Insurance podcast. I'm your host, Michael McPhail. On today's program, we'll be exploring key findings, takeaways, and insights from our 2021 P&C Insurance Advanced Analytics Survey. We have two great guests here today, Nathalie Begin and Lisa Sukow who are both champions of the advanced analytics survey here within the ICT practice, Willis Towers Watson. Nathalie is a director based in Toronto and Lisa is a director based in Dallas. And Nathalie, thank you for joining us today.

NATHALIE BEGIN: Thanks for having us, really looking forward to our chat.

MICHAEL MCPHAIL: Lisa, thank you for joining as well.

LISA SUKOW: Glad to be here, Michael.

MICHAEL MCPHAIL: Yeah, absolutely. A little bit of fun that we try to have before we kind of get into the main part of the program. We like to learn a little bit more about our guests. So this is a question we typically will ask our guests, what would you like someone to find out about you if they Googled you? Nathalie, why don't we start with you.

NATHALIE BEGIN: I wish they could find that I'm an avid traveler. I would love to travel more, but with young kids, now teenagers, so that's going to change with COVID, I haven't been able to travel as much as I would like. So that's what I wish they could find about me.

MICHAEL MCPHAIL: How about you, Lisa?

LISA SUKOW: I have a very low social media presence, so there's not much about me on the internet except related to my job here at Willis Towers Watson. But I am also a soccer mom. I have three kids who have played soccer at various points in their lives. And I help out with the

high school soccer team website. So that's where you might find my name.

MICHAEL MCPHAIL: Fantastic, very cool, we love soccer moms, that's great. All right, well, let's go ahead and transition to discussing the advanced analytics survey. And this is going to be, maybe, a little bit different than our typical podcast, because we're really just looking at the findings that came out of the survey. It's going to be almost like a rapid fire, kind of back and forth between Nathalie and Lisa. And so let's go ahead and get into it.

So I'm going to start here with kind of one of the first questions we saw, this one's for Nathalie. Can you give our listeners some background on the survey itself, what it is, and who it includes? Things like that.

NATHALIE BEGIN: Certainly, Michael, what we did is we surveyed P&C insurers in the United States and Canada for data insights on the future of advanced analytics. We did that survey in 2017, 2019, and 2021, and that really enables us to see how their use of advanced analytics has evolved over time. Each survey shows that insurers have plans to increase that investment. Now, in 2019 and in 2021 again, we fielded two versions, one for the technical roles, so with more detailed questions, and a shorter version for senior executives, so we can get additional perspectives.

MICHAEL MCPHAIL: Yeah, excellent. So Lisa, has Nathalie stated, insurers are expanding and improving the use of advanced analytics. So what areas are they prioritizing?

LISA SUKOW: Since our last survey in 2019, we have seen increases in the use of advanced analytics in all areas that we mentioned in the survey. This includes underwriting, rating or pricing, and claims. Some areas that have seen the biggest increases are customer elasticity demand and predicting future claims severity.

MICHAEL MCPHAIL: Have either of you seen any impact from COVID-19 on insurers plans to get further into advanced analytics?

NATHALIE BEGIN: The findings show that it's only had a marginal impact on using advanced analytics. Just under 40% say they didn't anticipate any change to plans as a result of the pandemic. Now, it, of course, has increased some time pressures to do other things and delayed some of the investments. And in addition, many have already adjusted models or performed new analytics to reflect the experience of the pandemic, while others, even if they haven't started, they're saying they're planning to do so.

MICHAEL MCPHAIL: Fantastic. Lisa, you mentioned underwriting, pricing, claims, what's the biggest untapped potential for using advanced analytics? What's an area that people are looking to expand more into in terms of using advanced analytics?

LISA SUKOW: By far, it's marketing. And in particular, what we've seen in the application in customer segmentation, it's expected to rise from the current 24% usage to 73% within two years.

MICHAEL MCPHAIL: Wow, yep, that's definitely a big change. Ok, I want to switch gears here and talk a little bit about InsurTech. So we know InsurTechs can help companies make more progress with advanced analytics. We know that InsurTechs, that's one of the things they are kind of known for is using these advanced techniques. Are insurers leveraging this?

NATHALIE BEGIN: Yes, and increasingly so. Currently, 10% of respondents say that they are commercializing InsurTechs relationships. And 46% say, they are at an experimenting and testing. And percentage of companies that are either like observing or doing nothing has fallen since the 2019 survey. They used to be about 28%, now it's only 16%.

Now, we've also asked them a question to rank their top three areas of opportunity. And companies expect InsurTechs to have the most beneficial impact across risk selection and pricing, distribution, and customer management, and customer experience.

MICHAEL MCPHAIL: Thanks, Nathalie. Lisa, in terms of data sources, what internal and external data sources do insurers find valuable?

LISA SUKOW: What we've seen is that the use of account experience, demographic information, and drone imagery in standard commercial lines have seen particularly large increases since our last survey in 2019. The most popular non-traditional data sources are unstructured claims information, and underwriting information, and images.

MICHAEL MCPHAIL: Yeah, I'm not surprised about hearing about the unstructured claims information. I mean, text mining is, I know, become very popular, there's a lot more companies that are doing it. I mean, that's just one of the-- if you look at adjuster case files, those tend to be wealth of information that people are really traditionally have not been able to use in the past and have been using advanced analytics to try to do so.

So I know-- personally speaking, I've seen that being used a lot more in the industry even without a survey telling me so. Nathalie, what obstacles are preventing companies from increasing their use of advanced analytics? We know that a lot of insurers aren't using it. So what's causing that?

NATHALIE BEGIN: Yeah, a lot aren't using it or not using it as much as they would like, that's for sure. The really biggest obstacles is time and conflicting priorities, that was cited by about 50% of the respondents. Insurers also raised concerns about IT bottlenecks, data management, and a lack of sufficient staff with appropriate analytics expertise. Now, those same topics have been important over time. When we look at the trends, the order has fluctuated over time but it tends to become the same kind of issues.

Now, insurers are starting to do some things about it, they've been training staff and so on. From an IT perspective also, many companies already appear to be taking some action to remedy those problems, especially with the data storage processing and model run capacity, there's much more action being taken, for example, on use of cloud providers and using cloud for analytics. And another encouraging sign is that in many areas, companies are starting to make use of AI, including machine learning. And so that's going to also be helping in being able to overcome those obstacles.

MICHAEL MCPHAIL: Thanks, Nathalie. So another topic that has just been in the forefront of most insurers minds for the last decade is telematics. And we've seen, for sure, some insurance companies have been using it. But I'm curious, what have you seen in terms of its current state in the market? How penetrated is telematics in the insurance market?

LISA SUKOW: Well, what we've seen from the survey is that telematics hasn't exploded since our last survey in 2019, it's actually remained pretty stable. Of large insurance companies, 44% say that they are currently using it for personal automobile. For other lines of business, it really hasn't changed much and it's relatively low. What is interesting is how insurance companies are using telematics data. Currently, telematics is an isolated rating variable. So they have their normal rating plan, and then they tack on a telematics rating variable, that's usually a discount. What insurers want to do in the next few years is interact telematics scores with a few key rating variables to use it more robustly in their rating algorithm. So it'll be interesting to see if that plays out. Those are their expectations, but we'll see in a few years if that really happens.

MICHAEL MCPHAIL: Thanks, Lisa. The North American P&C market, it still looks set on a course for the increased use of advanced analytics. What actions can the companies take to make progress at a faster pace?

LISA SUKOW: One of the things is automation. So Nathalie just mentioned AI and machine learning. So making it easier for actuaries and others in the company to look at the data, you want to get the data quicker, get it clean quicker so that you can spend your time on analysis. Another thing that we think has some momentum is another thing that Nathalie mentioned is leveraging InsurTechs. We used to think that InsurTechs were going to disrupt the industry, and so far that doesn't seem to be the case. But what we're seeing more of is partnering with InsurTechs to bring a better product to consumers.

MICHAEL MCPHAIL: All right, well, there you have it, those are our rapid fire insights from the advanced analytics survey. If you want any more information, if you want to see specific figures or numbers, you can contact Nathalie, Lisa, or I on LinkedIn. Shoot us a message, we can get you in touch with anyone or get any information to you that you might be looking for. I would like to thank our guests for joining the show today. Nathalie, thank you so much for being here.

NATHALIE BEGIN: Thanks for having us. Thanks a lot for those questions, Michael.

MICHAEL MCPHAIL: And Lisa, I thank you as well.

LISA SUKOW: Thanks, Michael, it was great to share the results with everyone.

MICHAEL MCPHAIL: And, of course, I want to thank our listeners for joining again today on the (Re)thinking Insurance podcast.

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