

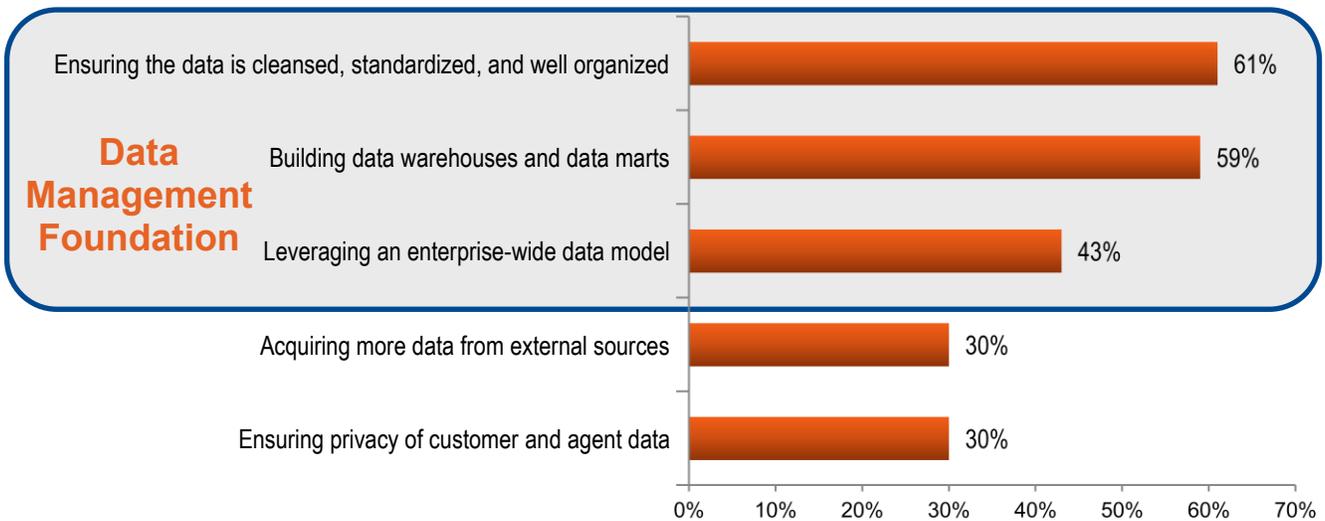
## DATA AND ANALYTICS IN INSURANCE: THE ROLE OF STANDARDS AND FRAMEWORKS

Analytics is increasingly becoming a game changer for insurers, expanding beyond the traditional focus on risk to all areas of the insurance business. The key to capitalizing on analytics is the data itself – the ability to acquire, standardize, organize, and enhance both internal and external data. SMA recently completed comprehensive research and analysis exploring both the current state and future plans for data and analytics in the industry. The research survey, completed by 165 insurer participants and conducted in conjunction with ACORD, investigated the current and future roles of standards and industry models as well as incentives for investment in data.

### BUSINESS DRIVERS FOR IT INVESTMENT IN DATA

There are many reasons that insurers invest in acquiring and managing data, including the need to contain costs, improve security, and improve data quality. Figure 1 highlights the top 5 business drivers for IT investment in data management. Insurer respondents cited the foundational elements of a good data management approach as their top reasons for investment. These results clearly show the value and importance of data standards and the key roles that industry-specific data models and frameworks play in creating a solid data management foundation.

Figure 1. Top 5 Drivers of IT Investment for Managing Data



Source: SMA Research, Data and Analytics 2012, n=165

### BENEFITS OF DATA MESSAGING STANDARDS

The survey asked insurers about the key benefits of data messaging standards. The top two benefits cited were ease of communication between partners (63%) and improved data quality (60%). Participants overwhelmingly identified data quality as the primary challenge in successfully capitalizing on the power of analytics. This emphasizes the critical role of standards. Other key advantages that insurers named as benefits of data messaging standards were ease of acquiring data, simplified implementation activities, and improvements in long-term data integrity – all important dimensions of leveraging data and analytics for business value.

# Data and Analytics in Insurance An SMA Research Summary May 2012



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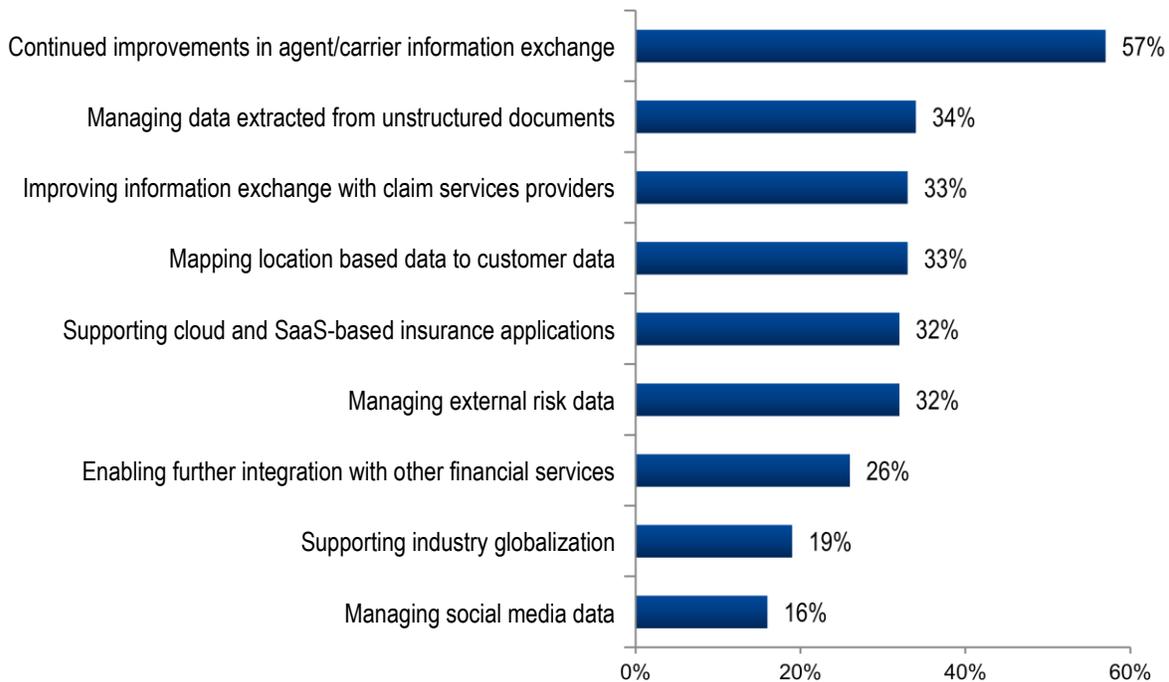
## BENEFITS OF STANDARDIZED INDUSTRY MODELS

In addition to standards for data exchange, insurers are benefiting from standardized industry models, such as the ACORD Framework. Respondents cited a variety of benefits, ranking all of them about equally in importance: promoting consistency for process management, enabling consistent definitions, providing a single reference model to bridge the business/IT gap, decreasing system development time, and acting as a mechanism for interoperability across systems. Many insurers also view standardized industry models as important tools for driving business strategy (24%).

## DATA STANDARDS AND INDUSTRY FRAMEWORKS IN THE FUTURE

Standards and industry frameworks/models will remain as critical as ever in next decade. Insurers expect that data exchange will continue to be the primary role of standards and frameworks. Continued improvements in agent/carrier information exchange is seen as the number one role for standards, and improving information exchange with claim services providers is ranked third. Important new roles are also envisioned in areas such as managing unstructured data, handling location based data, and supporting SaaS/cloud applications.

Figure 2. Impact of Standards and Frameworks Over the Next Decade



Source: SMA Research, Data and Analytics 2012, n=165

## ABOUT STRATEGY MEETS ACTION

SMA is a research and strategic advisory firm exclusively serving the insurance industry. SMA has been conducting extensive research on data and analytics in insurance, including the implications of Big Data. The initial report from this study is scheduled for release in June 2012. For more information, contact Mark Breading at [mbreading@strategymeetsaction.com](mailto:mbreading@strategymeetsaction.com) or **614.562.8310**.

For more information about SMA and our offerings for insurers, IT solution providers, and venture capital firms, please contact Ben Stinson at **617.899.6892** or [bstinson@strategymeetsaction.com](mailto:bstinson@strategymeetsaction.com).