

# How business intelligence can be a real driver of competitive advantage for life insurers

By Frank Carr, Sales Director, Financial Risk Solutions

Operating in a demanding consumer market with onerous regulatory obligations means that every Life Insurer is scrutinising their entire business operations looking for efficiencies, while retaining a competitive edge and profitability. With the recent ease of restrictions on access to pension pots from 2015 and the implementation of Solvency II in January 2016, insurers will have to rethink their product ranges and adapt, while operating under new risk-based capital regimes. In addition, they will be required to report on institutional and fund-specific risk exposure.

The good news is that most Life Insurers already have the most valuable business asset they need to achieve this – information; but data alone cannot be the driver of operational and administrative improvements. Translating the data into enterprise-wide insight or Business Intelligence is what is needed to empower the business to adapt with new improved products in a world with new regulatory regimes and still remain competitive.

True Business Intelligence is not about building a data warehouse, improving technical infrastructure or providing regular detailed reports. It's about having

the time to analyse information and make empowered decisions, based on the information provided.

Business users and decision makers want to spend less time looking for information and reconciling various reports. IT departments want to spend less time responding to requests and generating reports. Having the right Business Intelligence software is the only way to achieve this; software that can deliver data from across an enterprise and deliver self-serviced real-time reporting and analysis within the business context for better, faster decision-making.

## So how could this look for a Life Insurance company?

The right Business Intelligence and data analytics software should provide the ability to upgrade decision-making abilities, reduce operational costs and pinpoint fresh business prospects. There are 3 key deliverables that a system should offer:

1. The ability to integrate information from business silos for better business insight
2. The ability to gain insight from structured and unstructured data to uncover patterns and trends
3. True end-to-end analytics.

## 1. Integrating information from business silos for better business insight

Data is often stored and analysed in silos and the only way to merge and extract into a meaningful format involves Excel spreadsheets and manual manipulation. This obviously delays the timing of the information and introduces the risk of errors. It can also lead to actions or decisions at departmental level which can be costly and unnecessary.

For the Life Insurer, the need for real-time views of information such as total currency exposure, asset type exposure, counterparty exposures and derivative exposures will be crucial in the context of Solvency II, when this information will be mandatory from January 2016. So a system that can extract this information from various systems and silos and present into a meaningful context will be critical to success and regulatory compliance in this ever-changing environment.

## 2. Gaining insight from structured and unstructured data to:

- Reveal trends, patterns and anomalies
- Identify variables and relationships
- Predict future events
- Select the best course of action
- Use data and analytics to get new insights and make decisions based on what the user has discovered.

This is where graphical representations of complex datasets and customized views come into their own. The sheer volume of data around the thousands of funds, each with multiple trades and owners is an ongoing challenge for every Life business. So having a system that can accurately integrate investment analytics for multi-tiered investment

structures using a look-through analysis to underlying security holdings, and present this data as and how it's required would be invaluable to any fund administrator.

What's important here is that for this insight to be valuable, the analytics must be explained and presented in business terms, not statistics. And the software presenting this information must be flexible to allow for changes in variables.

## 3. True end-to-end analytics

Fragmented management processes can mean missed opportunities when executing end-to-end management decisions such as in bringing new products to market. It could also mean a breach of financial and/or reporting regulations. End-to-end analytics that can provide information when needed and in the right format can really sharpen a life company's competitive edge. For example, which funds from the fund range provide the best returns with acceptable volatility (based on the Synthetic Risk Reward Indicator values)?

In summary, Business Intelligence is much more than just corporate reporting or a set of tools to coerce data out of enterprise software systems. While having better information can reveal new areas for improvement, it's having the time to properly analyse the information and make empowered decisions where the real value lies. And having one system that can provide real-time information that is easily accessible to all, with minimum keystrokes and manual manipulation, means real Business Intelligence should and can become the primary experience for Life Insurers, and not an occasional one.