

## HOW NEW DATA SOURCES AND PREDICTIVE ANALYTICS ARE CHANGING INSURANCE UNDERWRITING

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### SUMMARY

Insurers are moving from an era of data scarcity to one of data abundance, and need to adapt their mindsets and practices to their new environment. Insurers' internal data has grown at a dizzying pace, creating serious challenges in data quality and accessibility. At the same time, the quality and quantity of external data, both individual and aggregate, has grown dramatically and is more available than ever. New analytic and processing capabilities have also arisen to allow insurers to build better models for risk analysis and pricing that can uncover hidden gems of opportunity, and to streamline the underwriting process by accessing third-party data in real-time.

The limitation for many insurers will be the poor quality and accessibility of the internal data that serves as a basis for analysis.

Novarica recommends that insurers get their own data houses in order, demand more accessible data from external providers, bring in experts to help find the hidden gems, and make sure that their processing and workflow systems can keep up with the new world.

Looking forward, Novarica sees insurers relying even more heavily on third-party data as they gather and validate information, freeing up more resources to focus on the analysis stage where true competitive advantage can be created.

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