ARTICLE

ACTIONABLE ANALYTICS

The Role and Business Impact on Insurance Companies

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Extending Your Enterprise

Actionable Analytics: The Role and Business Impact on Insurance Companies

ANALYTICS OFFERS A COMPREHENSIVE VIEW OF THE BUSINESS TO INSURERS AND HELPS MANAGE COSTS BETTER. HOWEVER, THERE ARE A PLETHORA OF OTHER BENEFITS TO BE EXPLORED TOO.

The vital role that analytics plays in business operations is still for the most part understated. However, the scenario is fast changing. Analytics is beginning to play a pivotal role in assisting executives navigate the technical and operational complexities of business. For the insurance industry, the impact of actionable analytics is far-reaching.

Decision-makers in the insurance industry are constantly seeking ways to better manage customers, minimize loss ratios and create robust risk & compliance frameworks, while ensuring profitability. To this end, actionable analytics is steadily rising as a critical success factor contributing to industry differentiation.

Analytics can only generate useful insights for the business, if the data is of good quality. Also, data has a 'best before' date and needs to be accessible at the right time to make the right impact on business. Many insurers still struggle with ways in which to access, integrate and analyse data from its older data systems. This hampers its ability to leverage analytics to create a sustainable competitive advantage.

Insurance companies can overcome these hurdles in data management and analytics by engaging a third-party analytics provider that specialises in insurance analytics. Leveraging analytics models opens up opportunities for insurers to enhance performance across marketing, sales and claims management.

> "Data has a 'best before' date and needs to be accessible at the right time to make the right impact on business."

Marketing Analytics

Marketing analytics has the ability to assist insurers in achieving a higher ROI on marketing spends, be more informed when deciding on pricing, and improve customer satisfaction levels.

Insurers have previously relied on traditional marketing practices, which do not assure the business of assured outcomes. With analytics, insurance companies are able to predict and prescribe likely future events and construct ways in which to deal with these events.

In particular, analytics enables insurance companies with the ability to assess customer behaviour and get a better grip on their customer acquisition and retention mechanisms.

Analytics is a truly transformational opportunity for most businesses, but it requires a clear objective and is likely to only work where data is measurable or where consistency exists.

By analysing the success rate of specific marketing activities, companies can measure how often a sale is generated as a result of particular activity targeted at a prospective customer. Conversely, the purchasing patterns of existing customers can also be scrutinised using analytics and their behaviour determined and segmented as a result.

The insights obtained from analytics efforts allows insurance companies to lower its marketing spend by indentifying a base of customers, both existing or prospective, to target in its planned activities. Moreover, based on a deeper understanding of customer profiles and their changing needs, insurance companies are able to offer the right prices and customise product offerings.

Not all customers can be retained by insurance companies. In fact, it is more effective to identify profitable customers and make a concerted effort to retain only them, as opposed to attempting to retain all. This is where analytics comes in handy. Analytics allows insurers to identify profitable customers and deliver the right message with the aim of cross-selling or up-selling.

It is vital that insurance companies

target its communications to clients to not only deliver the right message, but also ensure that it is delivered via the right communication channel. These valuable insights into preferences can also be made available through analytics.

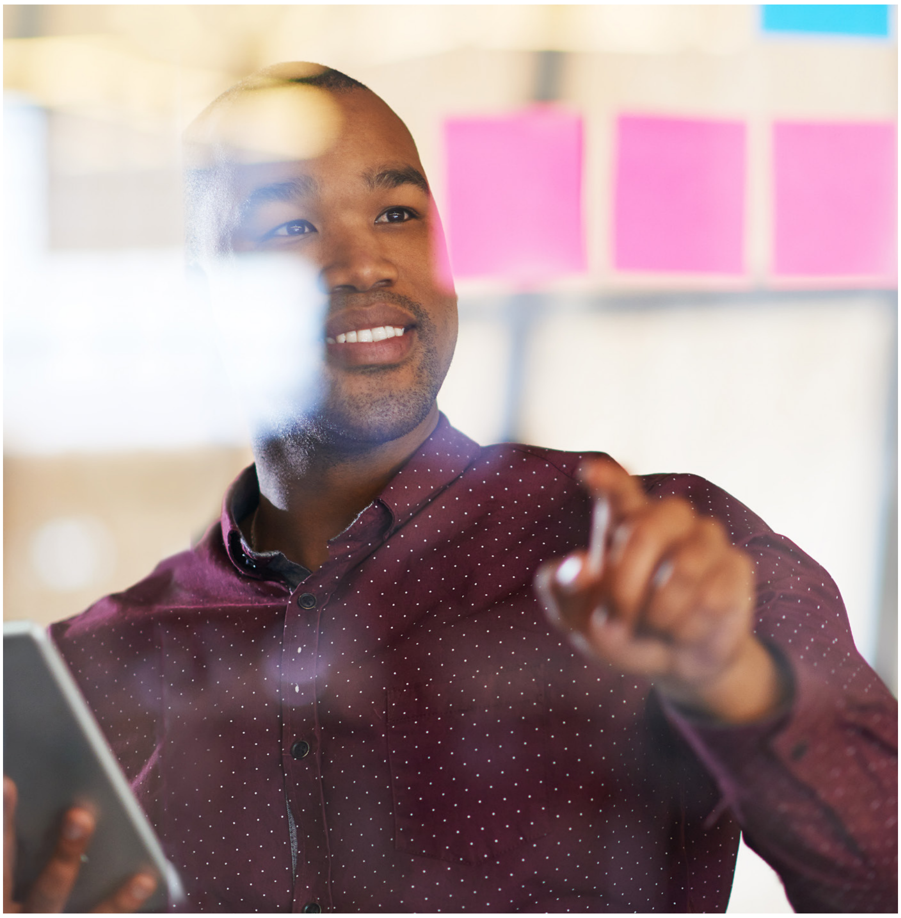
Sales Analytics

Sales analytics can assist insurance companies understand and optimise its sales force, revenue per customer, and channel performance over time by tracking and analysing sales metrics.

Insurers can easily interpret its key sales drivers, trends and issues. Analytics allows for the segmentation of sales by different dimensions such as the customer, sales representative or channel.

Sales analytics also has the ability to highlight underperforming agents, products, channels and customers. The effects of discounts, special offers and campaigns, as well as sales incentives on revenue can be analysed to identify possible improvements in future too.

Overall, sales analytics assists insurance companies in predicting outcomes and making the necessary recommendations to reach sales and business goals.



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Effective Claims Management

Claims management has always been a challenge for insurance companies. The impact that analytics can have on claims management is profound, particularly when identifying fraudulent claims and how to deal with this appropriately.

The rapid increase in sophisticated forms of fraud necessitates the implementation of robust prevention mechanisms, but most insurers have only implemented point solutions aimed at the claims notification phase alone – a point in time when fraudsters rarely perpetrate. Ideally, all customer interaction points should be taken into account when attempting to tackle fraudulent claims and improve the efficiency of fraud systems. The customer interaction points should include the policy application and underwriting as well as claim notification phase in order to improve the efficiency of fraud systems and enable a proactive early warning system.

More often than not, insurance companies have a wealth of information relating to claims, which are all stored in different silos. Analytics brings this information together and gives the insurer a holistic view of individual claims so that a more accurate decision can be made.

The ever-increasing volume of data insurance companies handle on a daily basis has highlighted the importance of strategically leveraging the data to the business's advantage. In fact, the stakes associated with this has never been higher. It is critical for insurance companies to consolidate the data they handle to gain a better view of their operations so as to understand what has taken place and gain insight into what is likely to take place in the future.

The simplest change can bring the greatest rewards to a business. When performing analytics of any kind, don't overlook simple and obvious areas for change. This presents a risk for failure due to being too engrossed in the analysis itself. By improving noticeable areas first, not only does the analysis have the potential to be more accurate, but it also allows for invaluable insights to be quickly identified as opposed to a deliberate attempt to find it first.

Analytics done well has the potential to transform the performance of a business. However, if done badly, it can cause a business to lose direction and focus. By enlisting the expertise of a third-party analytics provider, this risk can be mitigated and the benefits of analytics claimed - not just by insurance companies, but companies in other industries as well.

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