USING DATA TO POWER GROWTH

5 Ways Insurers Can Leverage Big Data

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Introduction

Insurance, perhaps more than any other industry, relies on data, with the difference between success and failure turning on a firm's ability to accurately analyse information, evaluate risks and make appropriate decisions. As consumers increasingly turn to online platforms to compare products, negotiate for better prices or make purchases, insurers and brokers have access to unprecedented quantities of valuable material that could be leveraged to enhance and grow their businesses.

What is Big Data?

When we discuss "data" in this context, we're actually referring to what data scientists and information technology experts call "big data", massive data sets that accumulate so rapidly and involve so many different formats that they require specialised analytic tools for processing and organisation.

In the case of the insurance industry, big data sets might come from decades of accumulated information relating to human behaviour, potential risks and the costs associated with certain types of events. These comparatively tidy giga and terabytes of data are what data scientists call "structured" data - information that follows a specific format and persistent order that makes it easy for humans and machines to access and understand.

On the other hand, insurance carriers also have access to vast quantities of unstructured data collected from sources as diverse as medical records, internet searches, policy applications and even social media. While data sets like these contain a wealth of valuable insight into the fundamentals of the business and consumer behaviour, they're difficult to work with due to the lack of standardisation.

Properly organised and stored in a data warehouse or data lake, these collections of information become the training ground for advanced algorithms learning to identify patterns and make recommendations based on solutions. Access to such large quantities of data not only improves the accuracy of human decisions, but also allows for the automation of certain processes to be more efficiently undertaken by a machine.

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Build Your Business With Big Data

The transition to data-driven organisation might entail a number of changes, but the core of any initiative should be a move towards business decisions on evidence arising from carefully-chosen metrics and thorough analysis of structured and unstructured data.

Business decisions in this case extend beyond valuing and adjusting claims, pricing risk and other highly data-dependent activities all insurers must perform. Here, we mean the decisions that set the direction of the company, such as when to launch a new product; whether to deepen strategic channel partnerships or develop a new business; and how to lower customer acquisition costs and increase retention.

Insurance carriers shifting to a data-driven culture are leading the way in industry innovation, developing sophisticated analytics to provide brokers and agents with information they need to cross-sell, up-sell and reduce customer churn. Powerful machine learning can easily identify high-potential prospects and pre-warmed leads, allowing sales teams to allocate resources effectively and marketers to better measure the performance of a campaign.

Broker-peer comparison analytics ensure that each broker accurately measures performance and reveals additional opportunities for sales. The carrier's existing customers benefit, too, as algorithms work to flag early stages of customer dissatisfaction and alert agents to remediate, thereby enhancing the customer experience and improving retention rates.

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Grow Your Business With Big Data

Beyond enhancing existing businesses, insurance companies can draw on big data sets to diversify their activities, add value to channel partners, such as brokers, and update products to better meet consumer needs and expectations. Below, five ways insurance companies can leverage big data to reduce costs, drive growth and increase revenues.

1. Lower the Cost of Customer Acquisition

As marketing, particularly digital marketing, relies on ever more granular customer segmentation to craft personalised outreach efforts, big data can help identify patterns and trends in consumer behaviour, increasing your marketing return on investment and reducing the total cost of acquiring new leads.

A big data platform designed for strategic data collection and analysis combined with machine learning tools empowers your marketing team to conduct more nuanced analysis of consumer needs, risk appetites, agency performance and other metrics that you can use to more effectively target new buyers through improved customer relations, precise lead generation and customised sales pitches.

2. Create New Business Models

Depending on the volume and velocity of a carrier's big data sets, as well as its existing infrastructure, an insurance company may opt to develop a proprietary data analytics business intended to fill a gap in the insurance market. For example, a carrier might capitalise on a need for low-cost renter's insurance aimed at young people by developing a friendly, accessible platform that draws on decades' of claims data and analysis to streamline the application process and automate claims, a format much more in line with tech savvy Gen Y customers.

3. Redesign Products

With increased data comes deeper insight into the risks policyholders face and the best ways to price possible loss or harm.

In 2019, The Climate Corporation partnered with NAU Country Insurance Company to simplify annual crop risk reporting practices and reduce risk to farmers. Based on data provided by participating farms, NAU Country Insurance can more precisely estimate the risk to crops posed by adverse weather events, leading to more tailored policies priced to accurately reflect the potential for damage.

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As the global temperature continues to rise, insurers may begin to factor in the risks associated with climate change across a number of different industries, from travel to farming.

4. Strengthen Route to Market

Insurance brokers play a critical role in the insurance industry, connecting carriers and underwriters with consumers and bearing the brunt of the administrative load that comes with managing individual policies. Tools such as data-driven platforms with built-in analytical tools can ease that burden by making it easier for brokers to monitor the status of applications, manage compensation or compare products at a glance. More sophisticated tools can leverage machine learning to ensure that brokers accurately evaluate risk and recommend appropriate products.

Real-time monitoring and visualisation, when permitted by consumers, allow insurers to engage positively and proactively with policyholders.

5. Deepen Relationships with Consumers

Rather than meeting the customer only after an accident or a loss, companies can instead reach out to individuals and families with data-driven suggestions for lifestyle changes to improve health and quality of life. For example, a health insurer might use an app to connect with policyholders at risk for diabetes due to obesity to encourage them to enroll in a medically supervised program designed to help with weight loss and blood sugar control. Auto insurers with access to telematics can monitor driving habits in real time and adjust policy terms and prices accordingly, thereby incentivising safe driving before an accident occurs.

In both cases, the carrier takes proactive and supportive steps to protect the policyholder before a negative event and can directly incentivise safer, healthier behaviours by identifying risks and pricing them into policies in advance of a negative outcome.

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Learn More About Big Data in the Insurance Industry

At REG Technologies, we understand the importance of big data to insurance carriers. We are, ourselves, a data-driven enterprise dedicated to developing products and services for our customers using an evidence-based approach. We also understand the importance of high-quality data to our customers.

We rely on data collected from hundreds of sources, including sanctions lists and official registries. We are constantly reviewing the quality and consistency of our data sources to ensure our customers receive optimal results making their business Faster, Smarter and Safer.

To arrange a demo or speak to a REG Technologies Advisor, contact us directly and a member of our team will reach out to you.

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