

Analytics-Driven Insight: Delivering Powerful Group Insurance Advantages

INTRODUCTION

In today's group insurance environment, data continues to play a critical role in customer personalization and overall business value. Intelligent insurers can use data and analytics to further support efficient business operations and their digital transformation. In this insight, we'll examine how insurers can unlock the benefits from data and analytics-driven intelligence, and what tools and strategies they should consider for their long-term vision and delivery.

UNLEASHING VALUE IN DATA AND ANALYTICS

Within insurance, there are three primary benefits from robust data and analytics that unleash significant industry impact.¹

- **Increased sales.** Analytics and data technology can assist insurers in selling to segments that were previously unreachable, unprofitable, and unknown, and by supplying new and innovative products at an accelerated pace.²
- **Improved pricing and risk selection.** Insurers can use predictive scoring and analytics to supplement underwriting and claims processes to improve their underwriting and understanding of risk. Analytics technology can also help insurers reduce losses through improved anomaly and fraud detection.³
- **Reduced overhead.** Technology can provide operating efficiencies and productivity gains.⁴

These benefits are already being realized through the following methodologies and use cases:

- To sell more, insurers are "pre-underwriting," i.e., using internal and third-party customer data to target based on probable risk and provide indication of premiums up-front. Through data mining, insurers can identify customers with unique characteristics and tailor marketing efforts accordingly. Insurers can also use analytics for retention and upsell modelling, to predict which customers are retention risks based on their demographics and previous behaviors. Finally, rule-based offer guidance can assist distributors in matching products with the most appropriate customers.
- To improve pricing and risk management, insurers are already conducting performance reporting. Other more proactive ways of improving the loss ratio include predictive claims severity scoring, where insurers use internal and third-party data to predict the severity of claims and inform adjustments. Predictive claims fraud scoring can also help identify fraudulent claims, while a book

of business impact model can incorporate analytics to pinpoint the potential impact of individual risks, and aggregate exposure across the entire book of business.

- To reduce overhead, insurers can analyze data and analytics to improve underwriter and adjuster productivity. Claims skill-based routing focuses on automating the assignment of incoming risks to specific adjusters based on claims characteristics, skills match, and capacity. Another method, claims straight-through processing, automatically adjusts, scores, and sends incoming claims for review or for manual adjustment. Lastly, underwriting straight-through processing automatically underwrites, scores, and sends for review incoming risks.

DATA AND ANALYTICS IMPERATIVES

Since data and analytics have become a primary driver of business strategy, accelerated by the pandemic's push toward more online servicing, insurers should be aware of tools and strategies to look for in data and analytics providers, and in their own organizations, to enhance their vision, delivery, and outcomes. Since data and analytics have become the foundation of a successful digital business, and their adoption is predicted to increase from 35% to 50% by 2023, insurers need to be aware of data and analytics imperatives when planning successful strategies.⁵

- **Supporting platforms.** Insurers will need to invest in data and analytics platforms, trust-based data sharing, and synthetic data for AI development. To fully realize returns on investment, data and analytics leaders will also need to continue to modernize existing governance practices.⁶
- **Continuous AI support.** Insurers will be targeting AI to make significant and measurable gains in business value, emphasizing the need for continuous delivery of AI-based systems. AI usage has tripled during the past two years, requiring insurers to reevaluate their core infrastructures and optimize for AI productivity.⁷
- **Collective organizational intelligence.** Increased consumerization of analytics technology and the need for communities are changing the analytics, business intelligence, and data science landscape. Insurers must leverage the collective intelligence of their organizations to compose effective and augmented analytics solutions.⁸
- **Data and analytics as a core business function.** Most importantly, to be competitive using data and analytics, organizations need to leverage a broad range of data assets, internal and external. They must share that data, build trust and adoption through data and analytics governance, and ensure impactful use of data and analytics by building data literacy skills.⁹

CONCLUSION

As data and analytics capabilities become essential to helping organizations customize consumer engagement, streamline operations, and generate growth opportunities, group insurers need to incorporate them within their business transformation and growth objectives. With the right tools in place, those who do will benefit from the value and untapped potential that data and analytical insight can derive from their own organizations as well as the broader insurance ecosystem.

For the accompanying "Analytics-Driven Insight," webinar, click [here](#).

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- 1 "Data and Analytics in Insurance: Building the Business Case," Novarica, June 2019.
- 2 Ibid.
- 3 Ibid.
- 4 Ibid.
- 5 "Over 100 Data and Analytics Predictions Through 2025," Gartner, March 2021
- 6 "Top Trends in Data and Analytics for 2021," Gartner, February 2021
- 7 Ibid.
- 8 Ibid.
- 9 Ibid.