Pet insurance: fetching data

Customer profiling is key to accurately assessing insurance risk, capturing fraud and improving the pet owner's insurance experience

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The pet insurance market continues to represent significant growth opportunities for insurers. The pet population in the UK stands at around 57 million with an estimated 40% of households owning a pet. According to figures from the Association of British Insurers, only 30% of the 8.5 million dog owners and just 16% of the 7.5 million cat owners are thought to have pet insurance and these insurance statistics do not take into account smaller furry animals such as rabbits or more exotic pets like snakes.

The chance for agile insurers to increase their market share is undeniable. But there are some challenges to overcome in order to achieve profitable growth. Pet claim volumes and costs are at record levels. No fewer than 932,000 pet insurance claims were made in 2016 and the cost of the average claim was £757, a 5% increase on 2015.

Pet claims fraud continues to increase with fraudsters benefitting from insurers' lack of data cross-referencing strategies and access to centralised sources of extended, collective industry information. The cost of claims and fraud in turn impacts insurer policy pricing, acting as a barrier to those pet owners who consider insuring their pet too expensive and prefer to take the risk of footing the vet bills themselves. And so the scenario goes full circle, preventing the true potential of the pet insurance market to be unlocked.

< 33   Customer profiling is already used successfully in other lines of insurance business. In the motor market for example, insurers will seek to know everything they possibly can about the customer, cross-checking data held across home and personal injury databases and integrating additional data from third-party sources such as the Driver and Vehicle Licensing Agency, HPI, vehicle ID checks, telematics and centralised industry fraud databases like the Insurance Fraud Register.

Initially this information was used at point of claim to validate claims and capture fraud. The benefit of this extended information was demonstrated in efficient and appropriate claim resolution. Recognising the inherent value in customer profiling, many insurers subsequently adopted many of these checks as standard at point of sale and quote, enabling them to accurately assess the risk and price products accordingly.

So how might insurers benefit from replicating this model in the pet insurance sector? The more an insurance company understands about the customer, the better informed it is to evaluate the risk, capture fraud and ensure the customer has a good experience of its brand and services. Use of data in the pet sector can significantly evolve to give insurers a more holistic profile of the pet owner.

Data is king

Enriching knowledge by accessing third-party data sources can give insurers an insight into the linked behaviours of the pet owner; and these linked behaviours can greatly inform decision-making related to claim validation, fraud capture and risk evaluation. A pet owner who invests regularly in their pet's welfare and is closely connected with the pet health supply chain is potentially less likely to make a claim.

When they do, insurers are better equipped to validate swiftly and provide faster compensation. Insurers could also choose to differentiate their brand and use their insight to enhance their relationships with customers who actively support their pet's health; options might be premium discounts, no claims discounts or discounted services from affiliated partners such as healthy pet food brands, accredited groomers, dog trainers and kennels and catteries.

On the alternative side, knowledge of pet owners' behaviours helps insurers to weed out those customers who are not genuine, thereby avoiding the cost of fraudulent claims and ensuring the on-boarding of customers at point of quote and sale leads to profitable growth in market share.

> # Data is the key to unlocking the true potential in the pet insurance market and is the way forward for insurers to build an effective and sustainable line of business model, a competitive customer proposition and profitable growth in market share

Some forward-thinking insurers have already adopted strategies to gain greater pet owner insight and add value to the relationship. RSA has invested in Pitpatpet and its app-based dog activity and calorie-burning monitor. Owners can use real-time data to monitor how their pet is behaving and how that behaviour might affect their health. The app will help owners give their dogs the healthiest life possible and RSA will have access to powerful and robust data about the behaviours of multiple breeds and their owners.

The opportunities to provide feedback on trends also presents the potential to add real value to the owners. Direct Line has invested in home visit vet service Paw Squad, making video and text consultations via an app a standard part of its pet policies. The opportunity to learn more about the customer and provide additional value outside the claims journey is being explored.

Allianz recently acquired Vet Envoy the UK-based electronic communications and data hub, which supplies e-claims software to veterinary practices, thereby strengthening its relationship with the veterinary supply chain and supporting a positive customer experience at point of claim.

Bought By Many has used its social and digital business model to gather data and identify a gap in the market, prior to launching differentiated pet insurance with its fixed-for-life cover and no claims initiative, which sees customers receive a percentage of their premium back every year if they don't make a claim.

It is possible through access to a rich mix of pet and owner-related data to see in-depth customer profiling in the pet insurance sector become standard insurer practice. Data-sharing proofs of concept and pilots can help present pet insurers with a compelling business case, as was seen when data sharing was in its infancy in other lines of general insurance. The pet insurance market will benefit from the opportunity to collaborate and the ability to cross-check data with enriched sources from third-party providers.

Enhanced customer journey

Pet insurance counter-fraud strategies will be able to fully mature and deliver more effective fraud capture, in turn reducing the cost of claims and deterring the 'would-be' fraudster. Growth in market share can be achieved with confidence in future profitability, as customer profiling enables the insurer to attract genuine customers and more accurately price risks. The customer journey can be enhanced throughout the policy lifecycle with a service that differentiates the insurer reputation and engenders trust and brand loyalty, supporting retention.

And at point of claim, a pet owner will welcome the swift validation and claim settlement that can be offered as a result of informed decisions underpinned by data checks.

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