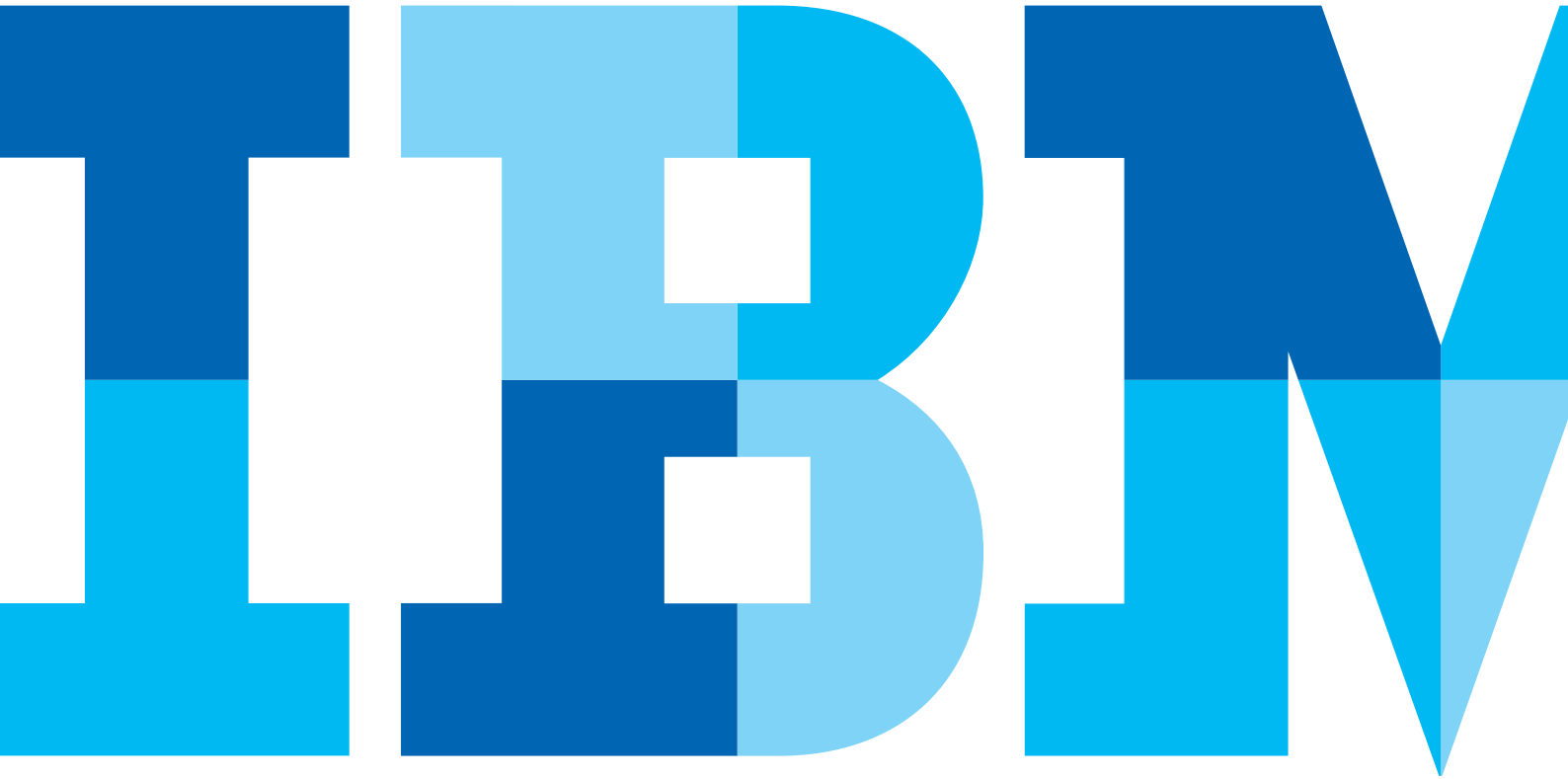


# Business analytics for insurance

*Four ways insurers are winning with analytics*



## Abstract

Insurance companies need smarter systems to manage a rapidly changing and complex market. The road to profitability lies in better decision making—by using IBM Business Analytics software to align all the data within an organization and helping make sure it is accurate, timely, in context and available to all who need it.

With insurance analytics your organization gains a complete and consistent view of all key profitability drivers so you can:

- Track and monitor sales, claims, margins and operational performance.
- Analyze results and identify and predict trends in channels, regions, products, demographics and customer behavior.
- Dynamically adjust plans to achieve profitable growth.
- Manage risk effectively.

## Overview

With information pouring into the organization, insurance companies are constantly challenged to turn vast data stores into actionable insight. Coupled with challenges in today's global market—including managing amplified risk, dealing with catastrophes, meeting the demands of greater regulatory scrutiny, a more informed and demanding customer base and navigating through a still uncertain economic environment—insurance companies are challenged at every level.

Indeed, the recent IBM 2010 CEO Study points to several of these key issues:

- 60 percent of insurance CEOs report that their organization is experiencing high or very high level of complexity, with 79 percent anticipating a high or very high level of complexity over the next 5 years.
- Only 6 percent of insurance CEOs believe that they are fully prepared for the growing complexity ahead.

However, visionary insurance companies are responding to this rapidly changing and volatile environment. The insurance industry is being reshaped and won by those innovators who can develop more flexible products, deliver new breakthrough services and create new business models and operational efficiencies.

Advances in business intelligence, analytics, enterprise financial planning and risk management are keys to staying ahead. These capabilities enable insurers to address changing customer demographics, reduce underwriting risk and fundamentally alter traditional industry boundaries, while meeting the rigors of a more regulated insurance environment.

This white paper will explore the practical applications of business analytics for insurers. It highlights four key areas—including risk, operational efficiency, customer care and deep executive insight—where analytics are helping insurers win. It also provides four real-life examples of insurers that are leading, executing and excelling amidst this new complex world and transforming uncertainty into sustained advantage.

## Business analytics defined

Business analytics can hold the key to optimized performance, informed decisions, actionable insights and trusted information. By bringing together all relevant information in an organization, companies can answer fundamental questions such as What is happening?, Why is it happening? and What is likely to happen in the future?

The core components of business analytics include:

- **Business Intelligence:** Query, reporting, analysis, scorecards and dashboards that enable decision makers across the organization to easily find, analyze and share the information they need to improve decision-making.
- **Analytic Applications:** Applications that package business analytics capabilities, data models, process workflows and reports to address a particular domain or business problem such as customer, workforce, supply chain or financial performance management.
- **Financial Performance and Strategy Management:** Budgeting and planning, financial consolidation, scorecarding and strategy management, financial analytics and related reporting capabilities that help simplify, structure and automate dynamic and sustainable financial performance and strategy management practices.
- **Advanced Analytics:** Data mining, predictive modeling, 'what if' simulation, statistics and text analytics to identify meaningful patterns and correlations in data sets to predict future events and assess the attractiveness of various courses of action.

## The four ways to win

Increasingly insurance companies are turning to analytics to address the new complexities they face. While the implementations are as individual as the companies themselves, four common areas are always of particular focus: executive insight, risk management, customer analytics and increased operational efficiency.

### Deep executive insight

Executive insight into operations has never been more important. With increased competition, growing regulatory scrutiny and increasingly informed customers, insurance executives, decision-makers and board members need to make better use of their data. Turning data into information and using it for timely and accurate decision-making is no longer a nice-to-have. Transparency is also key. Insurance personnel need to be able to report on and defend their decisions based on who knew what and when, and prove that their decisions were reasonable and defensible.

IBM provides executives with the insight they need across production, underwriting and claims, and presents this information in appealing and useful dashboards, scorecards and reports.

With IBM Business Analytics corporate and regional executives can:

- Improve their visibility across the organization including corporate and regional performance for underwriting, claims and production.
- Measure and monitor claims by line of business, coverage, severity and frequency by region.
- Observe timely regional performance against goals and objectives for new, renewal business and claims activity.
- Offer corporate scorecard results in real time.
- Provide daily feedback against corporate goals including trends.
- Take action, assign ownership and track progress for remedial actions to prevent performance gaps.
- Eliminate the inefficiencies associated with monthly regional performance reporting.
- Predict customer growth and retention, fraud, claims efficiency and overall trends to improve outcomes at the point of impact.
- Speed the processing of legitimate claims to improve customer satisfaction and loyalty.
- Spot suspicious claims that require more experienced adjusters or routing to your special investigation unit.

### **Analytics in Action: Selective Insurance**

Selective Insurance Company of America (“Selective”) is one of seven property and casualty insurance companies held by Selective Insurance Group, Inc. which is rated “A+” (Superior) by A.M. Best.

Selective had a tremendous amount of data pouring in from different transaction systems—policy and claims, finance etc. The challenge was to transform this data into answers to critical business questions.

Selective implemented IBM reports, scorecards and dashboards to aggregate critical information from diverse systems, including underwriting, claims, billing, agency production and safety management.

Today Selective uses IBM Business Analytics to:

- Make faster, informed decisions that drive completion of corporate objectives.
- Manage risk selection and find the right balance between risk and price.
- Gain deeper insight into share of wallet, customer mix, quality of business, exposures, new business acquisition and lines of business.
- Identify low performing areas and create action plans to improve performance.

“With IBM Cognos Business Intelligence delivered directly to their desktops, Selective executives and managers are now more empowered to make quick, accurate decisions that are critical to helping the company outperform the competition,” says Senior Vice President of Field UW and Information Strategy Brenda Hall. “Our analytics capabilities, our ability to deliver real-time underwriting information to the underwriters’ desk, and our sound agency relationships collectively ensure that we are continuously improving our performance and driving optimal results in the long term.”

## Manage and reduce risk

The insurance industry revolves around assuming and managing risk. Both human-made and natural disasters are among the “known unknowns” insurance companies confront regularly. To help its customers manage risk, the actuarial community has made a science of understanding these unknowns and making sound business decisions based on many variables.

Insurers need integrated risk management capabilities—a combination of insight, control and optimization of daily business practices. This is essential for complying with regulatory requirements such as capital adequacy, data retention and provisioning, and for analyzing risk patterns and identifying and minimizing fraud. The goal is to balance the cost of risk management against the impact on potential revenue, while also projecting risk effectively for customers.

IBM software delivers the essential insight required to improve risk management at all levels of your organization. IBM Business Analytics can help you:

- Integrate finance and risk data for improved visibility and optimization.
- Apply timely, repeatable, accurate and consistent understanding of risk across the enterprise.
- Identify, predict and minimize fraud in underwriting and claims.
- Improve reinsurance purchases and collections.

It helps you understand, gauge and predict all types of risk, including:

- Underwriting risk, so you can craft premiums and coverage that are the best fit for customers’ needs and profitable for the company.
- Portfolio risk, so you can avoid outsized exposure to specific categories or events.
- Operational risk, so you can make money while ensuring you’re able to meet your obligations.
- Market risk, where you must now invest more wisely than ever to generate predictable, sustainable returns.

## **Analytics in action: Infinity**

Infinity Property & Casualty Corporation (IPACC) specializes in drivers who have higher incidences of accidents and claims. They needed to reduce payments on fraudulent claims and improve its ability to collect subrogation payments from other insurance companies. To do this IPACC wanted to automate workflows and data gathering related to fraudulent and subrogated claims to enable more rapid identification and investigation of suspicious claims.

IPACC chose IBM Business Analytics to help build its accelerated payment collection capabilities. Now when an IPACC policy holder submits a claim in which another driver is partially or fully responsible, IPACC can more rapidly collect payment from that driver’s insurer. Additionally, the SPSS software enables investigators to begin investigations earlier which leads to more successful investigations and reduced costs related to fraudulent claims activity.

Benefits included:

- Reduced claims payments and accelerated collection of subrogation payments.
- Prioritizes collection so insured drivers are pursued first.
- Faster, automated access to accident information to speed investigations, leading to fewer fraudulent claims and lower costs.

### Improve operational efficiency

Leading insurers realize that managing operational performance and claims is crucial in order to efficiently pay claims and deliver quality services, while reducing costs and protecting profitability.

With a single view of business performance, managers can make better and more timely decisions. Insurers can more easily manage multiple reporting and consolidation rules and requirements, such as IAS and GAAP, reduce operational and IT costs by providing self-service reporting and analysis to users, and provide timely, consolidated monitoring, analysis and planning of internal operations.

IBM Business Analytics can help you:

- Provide a single view of the business to manage performance.
- Apply business analytics and predictive insight to automated processes.
- Promote claims excellence in operations, claims expense management, leakage and subrogation.

Best practice budgeting, plans, forecasts and financial reporting are a cornerstone of better performance and efficiency. Becoming a leaner organization means swapping out inefficient processes in favor of new systems capable of driving ongoing performance. For instance, rather than setting targets at specific numbers, your decision-makers may want to begin tying performance targets to events, trends and risk factors. Rather than engaging in planning on an annual basis, they might consider adopting shorter planning cycles focused on the achievement of specific tactics and initiatives.

With IBM Business Analytics software insurance companies can:

- Establish corporate targets and develop integrated, functional, financial and operational plans.
- Conduct both top-down and bottom-up branch planning to ensure alignment with strategic objectives.
- Manage profitability planning, analysis and reporting by product and customer segment, permitting an extremely high level of precision.
- Provide activity-based drivers and rates used for planning and reporting, allowing unsurpassed accuracy, consistency and confidence.

### **Analytics in Action: Hiscox**

Hiscox is a specialist insurer underwriting particular personal and business risks. With over 1,000 staff in offices across 13 countries, they are experts in insuring people and businesses with unusual and often complicated needs.

IBM Cognos 8 Business Intelligence is used for wide-scale reporting across the company, from operational and financial updates on various areas of the business, to head count tracking and statutory reporting.

Internal deadlines are being met much more consistently. For example, there was a 6 day time saving in preparing management accounting reports for one area of the business. Among other benefits, the solution provided improved decision making through better performance management, consistency of information across the business, improved access to information for staff across the business and reduced time to produce management accounting reports.

“The benefits were immediately clear, providing accurate figures in a much shorter space of time,” says Sherain Veale, from the IBM Cognos Competency Centre Manager at Hiscox. “Once the finance team started using the IBM Cognos solution word got around. Now you can find the technology being used across many areas of the business including operations, HR and the actuarial team.”

**Increase customer service, satisfaction and profitability**

In addition to your reputation for processing claims in a fair and timely manner, you must also provide attractive premiums to customers on the front-end of your relationship—while still underwriting to a profit. The trick is finding the right opportunities with the right customers, and then offering coverages at the right price. In today's highly competitive environment you must retain your best customers, while finding ways to cross-sell new offerings to them.

IBM Business Analytics software provides the insight you need to understand your customers and determine whether the products you provide are meeting their needs.

IBM Business Analytics can help you provide:

- A single view of the customer for service, sales, marketing or risk purposes.
- Better customer segmentation based on insight into behavior, profitability, products, channels, services and regions.
- The ability to harness huge volumes of information to segment, target, and cross-sell to customers more effectively and improve marketing campaign effectiveness.

Retaining existing customers and increasing your business with them also requires the use of predictive analytics. This capability helps your organization anticipate customer requirements so that you can plan and carry out strategies that improve results.

IBM predictive analytics solutions help you manage your customer relationships by integrating real-time analysis within your existing systems and processes. Predictive analytics makes it possible to take advantage of data from every channel—Web data, claims data, and textual data like notes from call centers—in closed-loop analysis that applies results to improve interactions.

**Analytics in Action: Insurance.com**

For Insurance.com, Inc., the leading on-line auto insurance agency in the U.S., the business mission is simple: to save people time and money on insurance. Founded in 2000 at the height of the Dot.com era, the company proudly remains an exclusively Internet-based insurance agency.

Insurance.com uses IBM® Cognos® Now! for continuous monitoring of its mission critical Sales Center and IT platform for comparison car insurance quotes. IBM® Cognos® Now! provides rules-based alerts and analytic capabilities to identify performance problems before they become customer service problems.

“IBM Cognos Now! functions almost as an early warning system for us,” says Scott Noerr, Director of IT Services, Insurance.com. “In the past, a small issue may have been missed until it hurt downstream systems, potentially slowing quote response times. Now, a problem can be quickly pinpointed, say, to a specific production server, allowing Insurance.com to alert a partner or vendor to a problem before it significantly affects performance.”

Beyond helping Insurance.com meet daily performance requirements, IBM Cognos Now! is providing outstanding visibility and clarity into management of its national Sales Center. Dashboards provide detailed views by agent, by states licensed and by skill set, as well as individual call statistics. Noerr and his team worked with Sales Center managers to create a unified view of the three systems used for managing agent productivity, eliminating multiple steps previously required to adjust staffing levels to call volumes.

## Why IBM?

With over 40 years of experience in analytics and a proven, industry-based best practice approach, only IBM offers:

- A complete range of integrated capabilities including reporting, analysis, dashboarding, scorecarding, content analytics, ‘what-if’ scenario modeling, predictive analytics and planning, budgeting and forecasting.
- An open enterprise-class platform to cost-effectively deliver complete, consistent and timely information (can be historical, real-time and predictive) to decision-makers across the organization.
- Packaged reporting and analyses based on proven best practices, with a comprehensive portfolio that covers workforce, customer, finance and supply chain, and that can be easily adapted for specific industries.
- The ability to leverage IBM’s full technology stack, including workload-optimized systems and leading information management capabilities, for flexible implementation and delivery of trusted information.
- Solutions that scale well from the desktop to the enterprise, including the only complete, integrated solution purpose-built for midsize organizations.

In addition to these capabilities, only IBM offers a suite of Performance Blueprints—free quick start models that speed software deployments and drive faster return on investment. For the insurance industry, these areas include insurance product profitability, executive insight and IT cost transparency.

IBM Business Analytics software is a proven solution—one that has been successfully implemented at thousands of insurance companies worldwide, including four of the top five global P&C insurers, four of the top five North American insurance companies and five of the top seven insurance companies in the world. With unmatched products, best practices and deep industry experience, IBM professionals know how to help you achieve maximum value and ROI.

For more information on business analytics software for insurance please visit [ibm.com/cognos/insurance](http://ibm.com/cognos/insurance).

## About IBM Business Analytics

IBM Business Analytics software delivers complete, consistent and accurate information that decision-makers trust to improve business performance. A comprehensive portfolio of business intelligence, advanced analytics, financial performance and strategy management and analytic applications gives you clear, immediate and actionable insights into current performance and the ability to predict future outcomes.

Combined with rich industry solutions, proven practices and professional services, organizations of every size can drive the highest IT productivity and deliver better results.

## For more information

For further information or to reach a representative: [ibm.com/cognos](http://ibm.com/cognos).

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