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4 Ways Big Data Is Transforming the Insurance Industry



[by Spotfire Blogging Team](#)

July 20, 2015

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In order to succeed and be competitive in the ever-changing insurance industry, it's a no-brainer that insurers must leverage Big Data and analytics. The insights gleaned from Big Data play a pivotal role in helping insurance companies solve some of the industry's biggest challenges, [according to an article in Investopedia](#).

Capturing and analyzing structured data associated with their policyholders and unstructured data from various sources—including social media—can help insurers evaluate the risks of insuring a particular person and set the premium for the policy accordingly, the article notes.

In addition, Big Data and analytics have also profoundly affected customer insights, claims management, and risk management. Here are four ways Big Data has transformed the insurance industry:

- 1. The Structure of the Industry**—As the insurance industry becomes even more competitive, firms have to stand out from the crowd by offering products that cost less than their rivals, as well as operating more efficiently and providing top-notch customer service. In an economy driven by technology, Big Data offers insurers the ability to transform these processes and meet evolving regulatory requirements, according to the article.
 - 2. Customer Insights**—As customer preferences change, insurers are under the gun to develop simpler and more transparent products. Companies can analyze Big Data to better predict customer behavior so they can improve customer retention and become more profitable, the article notes. “Applying insights to customer call centers, customer retention analysis and customer behaviors, insurers can better route customers to the appropriate support,” according to the article.
 - 3. Managing Claims**—Insurance companies can use predictive analytics to address the increase in fraudulent claims and losses. To identify applicants who are likely to commit fraud, insurers can quickly analyze massive amounts of data at the underwriting stage of a policy, the article says.
- In addition, when a customer makes a claim, companies can use data from internal sources to determine whether the claim is legitimate. “Real-time monitoring, through social media and digital channels, provides greater insight throughout the claims cycle,” the article notes.
- 4. Managing Risk**—Insurers can use Big Data and analytics to design policies, particularly catastrophe policies, which integrate “historical data, policy conditions, exposure data, and reinsurance information.” And underwriters can price a catastrophe policy based on a person's street address, distance to a fire station or other granular factors, rather than just by city or state. And insurance companies that use Big Data solutions can update their pricing models in real time, not just several times a year, according to the article.

Big Data and analytics can also help insurance companies adhere to regulatory requirements. “To help meet compliance changes and cut costs, algorithms based off Big Data can meet increasing regulatory demands,” the article notes. “By dynamically monitoring and adhering to compliance, organizations can improve decision-making and minimize losses.”

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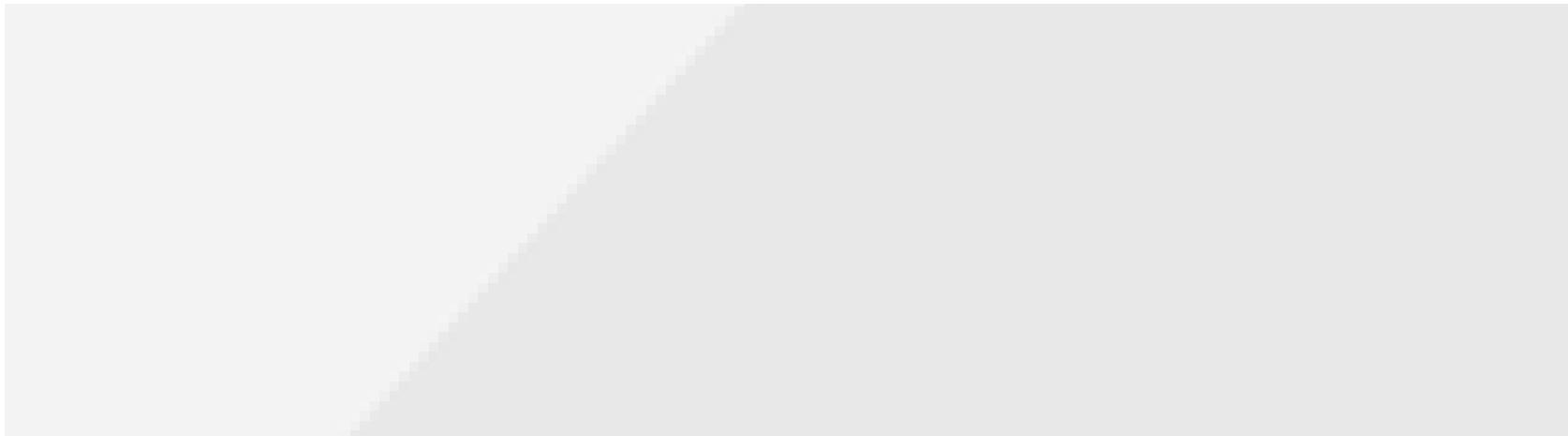


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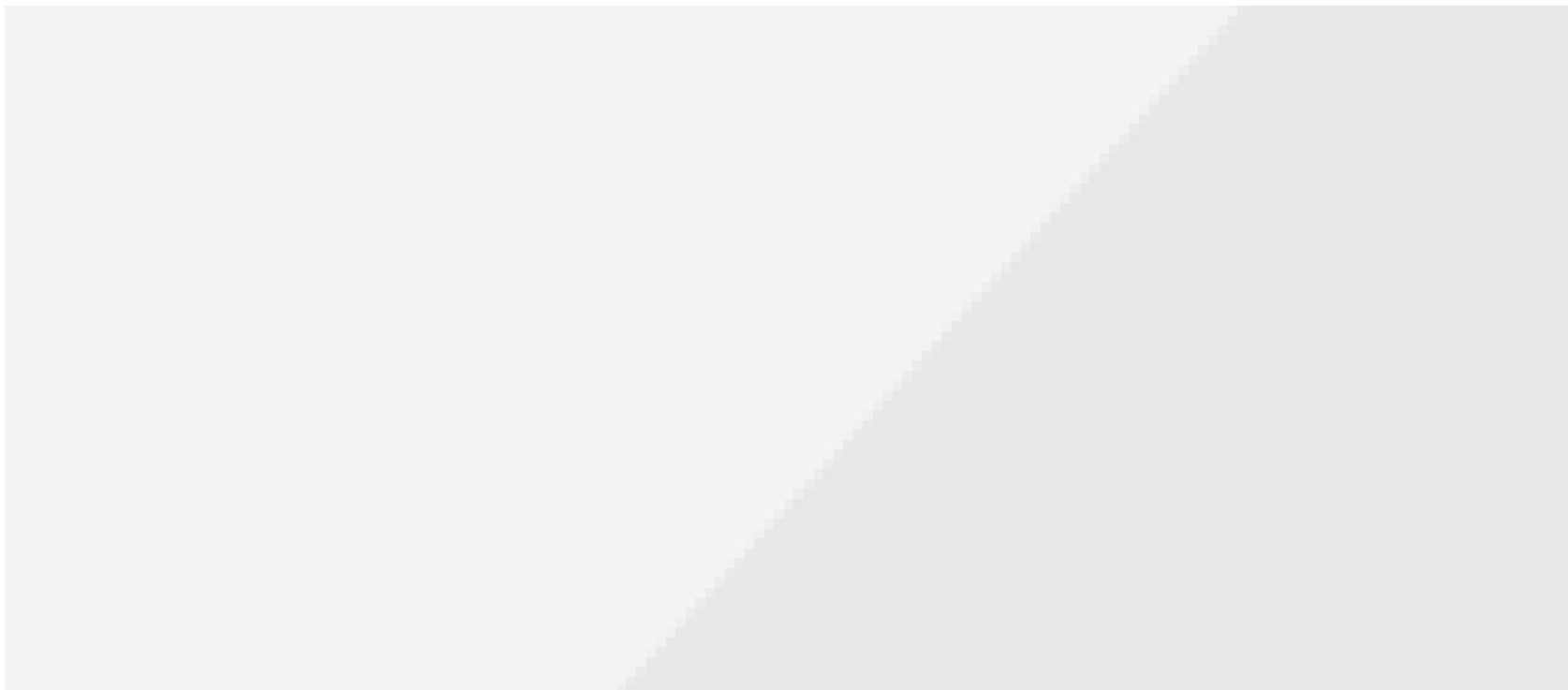


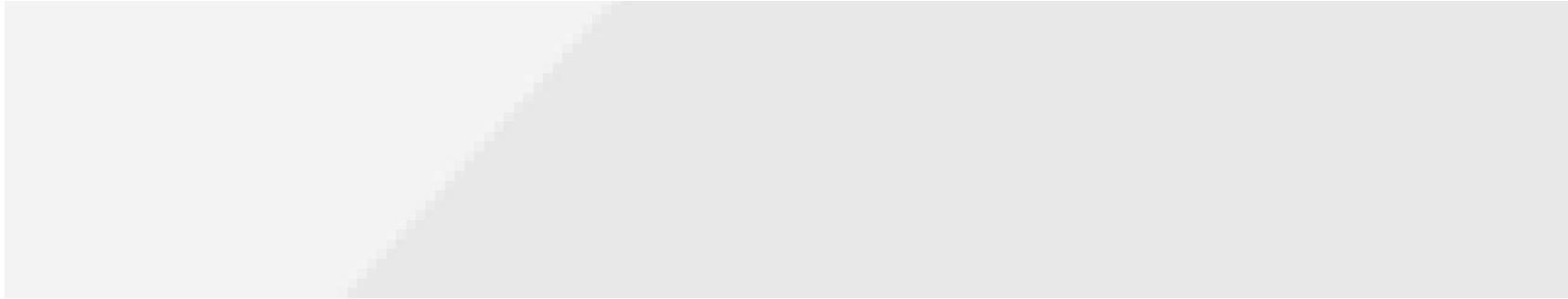


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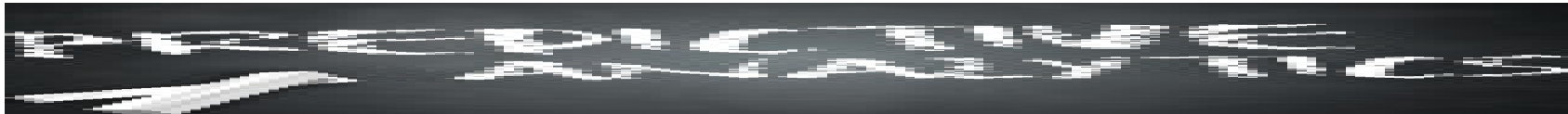


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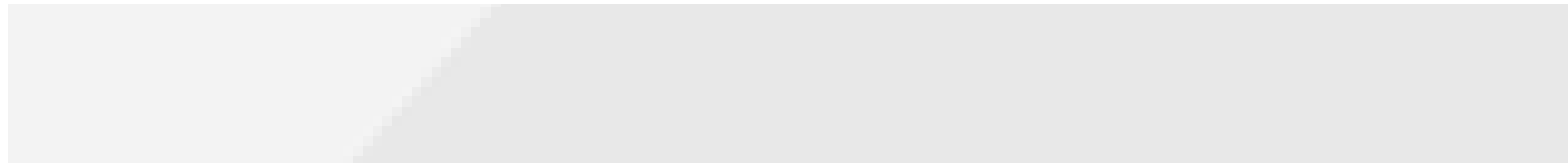


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Given these reasons, big data is indeed playing an increasingly important role in the insurance industry. Working alongside adjusters, analytics can flag claims for closer inspection, priority handling and more.

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