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## Highlights

- Analyze a broad range of data—internal, external, structured and unstructured
  - Speed time to value with pre-built insurance-specific analytics models
  - Leverage dynamic customer segmentation to create experiences targeted to specific customer needs
  - Use machine-learning capabilities to produce continuously improving, data-driven recommendations
  - View and share actionable insights from easy-to-use, customizable dashboards
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# Drive deeper customer insight to enrich policyholder interactions

The problems of today's insurers are the same basic problems they have faced for many years: *Attract* the right customers, *retain* them and *grow* the footprint of each policyholder through new products and services. In such a highly competitive market, insurers need ways to maintain the right engagement with policyholders and deliver a strong customer experience.

Reducing churn is among the most pressing challenges for insurance companies. In a study by the IBM Institute of Business Value, 32 percent of survey respondents switched insurers in the past two years and 41 percent reported having moved to a new carrier because a previous carrier failed to meet their changing needs.<sup>1</sup>

## Attract

While customers today are willing to “try on” multiple insurers to find the right fit, insurers must approach potential customers as individuals with their own values. Customers now have more options and higher expectations with diminishing loyalty to insurance companies. Understanding their customers' dynamic needs and providing a superior, consistent customer experience helps insurers achieve competitive differentiation and grow their market share.



## Retain

According to an IDC study, it costs up to seven times more to acquire a new customer than to retain an existing one.<sup>2</sup> Retention efforts should start with improved insight into customers. Insurers need to better understand customer preferences and predict lifecycle needs. To bolster retention efforts, companies must also identify risks as early as possible. They need to recognize when customers are unlikely to renew their policies and which lines of business, territories or agents are struggling to meet retention goals.

## Grow

Enhanced customer insights can significantly improve the effectiveness and efficiency of marketing and service activities. Insurance companies can use these insights to determine the best ways to reach specific customers and deliver tailored offers. At the same time, they can better equip employees and agents with the up-to-date information they need to provide responsive, personalized service. This means the agent and policyholder can discuss more than just price and product features during a meeting or email exchange.

While many insurance companies have customer analytics capabilities in place, existing solutions rarely produce the level of detail needed to fully inform actions and strategies. As a result, insurers waste money on ineffective marketing efforts and miss opportunities to strengthen relationships during moments of customer interaction. These companies need a new approach.

## Adopt a cognitive approach for understanding customers

Improving customer insight requires a cognitive approach—one that can deepen understanding, sharpen insights and facilitate continuous learning. Cognitive systems ingest and integrate all types of data, including both structured and unstructured data. They help users understand that data—and they learn, dynamically, as more data is collected and added to the system. Cognitive-based systems can uncover difficult-to-find patterns and provide confidence-weighted responses to complex inquiries.

With a cognitive approach, insurance companies can answer questions such as:

- How likely is it that a claimant will not renew a policy after a bad claims experience?
- What is our risk when we renew a policy?
- What is the retention offer with the highest likelihood of response for this particular customer?
- What aspects of customer service processes have the biggest effect on policy renewals?

Many insurance executives recognize the importance of adopting a cognitive approach:<sup>3</sup>

- 95 percent of insurance executives are familiar with cognitive computing and intend to invest in cognitive capabilities.
- 85 percent believe cognitive computing will have a critical impact on the future of their business.
- 98 percent believe cognitive computing will play a disruptive role in the industry.

The journey to cognitive analytics enables insurers to go beyond traditional rules-based and demographic views of customers to reach a deeper understanding of customer profitability, preferences and lifecycle needs. Insurers can use prescriptive analytics to take their analytics-based predictions and determine the right action to take with specific policyholders or agents. But why stop there? Cognitive analytics helps you understand why a particular result is being returned and augments human intelligence, so insurers can infer what may happen based on a certain action or response.

**Implement a cognitive solution with IBM Customer Insight for Insurance**

IBM® Customer Insight for Insurance can help move your organization into the Cognitive Era (Figure 1). Insurers can accelerate time to value by applying pre-built analytics models designed specifically for the insurance industry. The solution draws on a wide range of internal and external data, including both structured and unstructured information. Plus, users can share and explore data from intuitive, customizable dashboards.

Customer Insight for Insurance is an end-to-end solution that gives you the tools you need to provide a better customer experience and start solving the attract, retain and grow industry challenges. Insurers can capitalize on machine-learning capabilities to predict behaviors and continuously generate new, data-driven recommendations. Insights are no longer limited by traditional rules for segmenting and understanding policyholders; now you can watch your policyholders move between segments.

**Analyze data from a variety of sources**

With Customer Insight for Insurance, you can incorporate data from a variety of sources to create a more complete view of your customers. Bring together data from multiple enterprise systems and product lines, including information about policies and claims. Beyond the data within the enterprise, the solution can also integrate external, third-party data such as relevant news, tones and interests. This information can deepen customer profiles and be used to gauge customer satisfaction, track trends and identify individuals likely to move to other insurance companies.

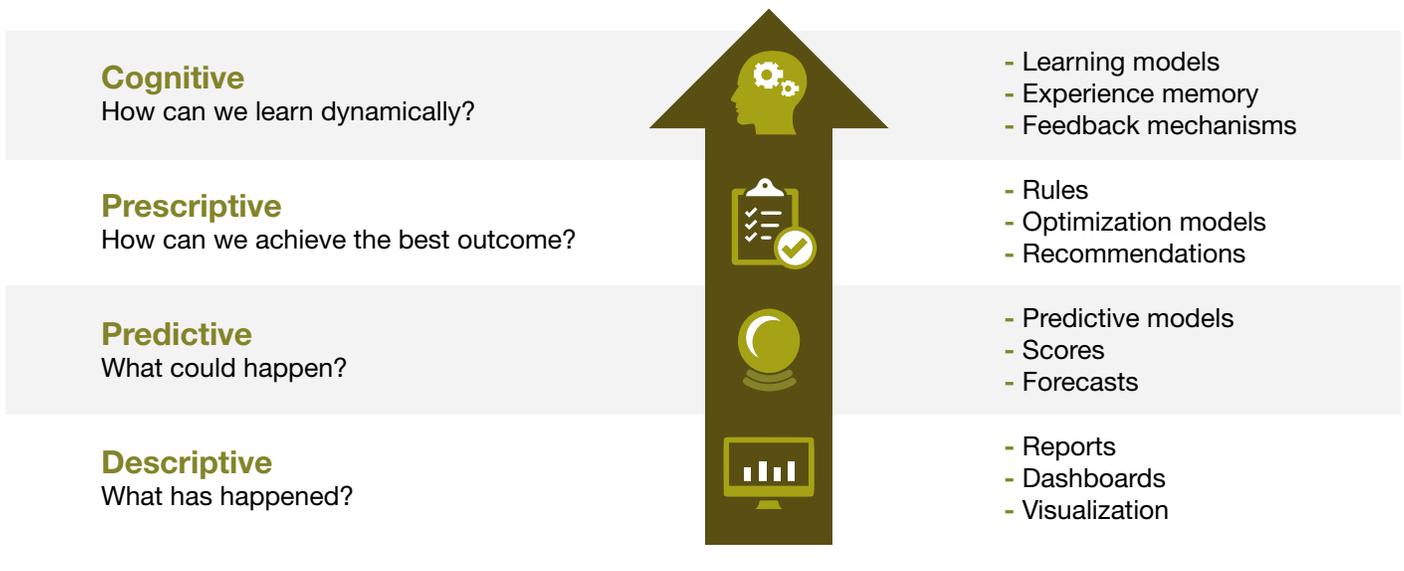


Figure 1. IBM Customer Insight for Insurance incorporates analytics in the journey from descriptive to cognitive analytics.

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### Accurate predictions have big business benefits

Insurers that have known data quality issues are seeing value from bringing all enterprise data into a single view: 78 percent accuracy of predicting cancellations and non-renewals.<sup>4</sup> Even insurers that are piloting the IBM solution and have better-curated enterprise data see a 50 percent improvement in predicting churn over in-house models.

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### Speed time to value with pre-built analytics

Capitalize on a comprehensive collection of pre-built advanced analytics models to start answering key business questions without time-consuming development work. Take advantage of the ability to segment customers in real time to build a strategy based on customer needs rather than sales alone. With the IBM solution insurers can build a strategy to attract loyal customers by identifying them early, assessing their preferences and recommending products that are likely to interest them. You can enhance customer retention efforts by alerting staff to a policyholder who is likely to churn and providing options that may entice the customer to stay with your company.

Policy recommendations that are based on specific life events can also improve customer engagement. These recommendations (along with behavior segmentation) allow you to create a personalized experience that gives customers the right coverage for their needs and the right offers for their buying habits. Customer Insight for Insurance helps you capitalize on cross-sell opportunities by analyzing customers' tendency to buy similar products and making offers accordingly. This proactive marketing approach is driven by the customer's individual interests and helps improve the overall profitability of the company.

As Customer Insight for Insurance learns how policies are affected by life events, its cognitive capabilities enable it to begin streamlining certain solutions. This provides a faster route to value for the insurer while keeping the customer happy.

### Gain access to new customer insights

With Customer Insight for Insurance, you can provide users with immediate access to new insights through intuitive, easy-to-use and customizable dashboards.

- **Insights dashboard:** Quickly view a range of key performance indicators (KPIs) for customer retention (Figure 2).
- **Dynamic segmentation dashboard:** Use dynamic, propensity or business-rules segmentation to group customers, or let machine-learning capabilities draw on data for real-time segment configuration. There are many views available including top territories and retention performance for each agent over a fixed amount of time.
- **Customer insight and customer profile:** View a customer list by propensity, and then select an individual customer for more detailed information and insights about that person. For example, you can see how long the person has been a customer, view an assessment of customer value, check the retention profile and review preferences. Export the customer list and send it to a marketing group, call center or distribution team.

### Anticipate needs and exceed expectations

With better insight into your customers, you can anticipate their needs and deliver the kind of personalized, engaging interactions they expect.

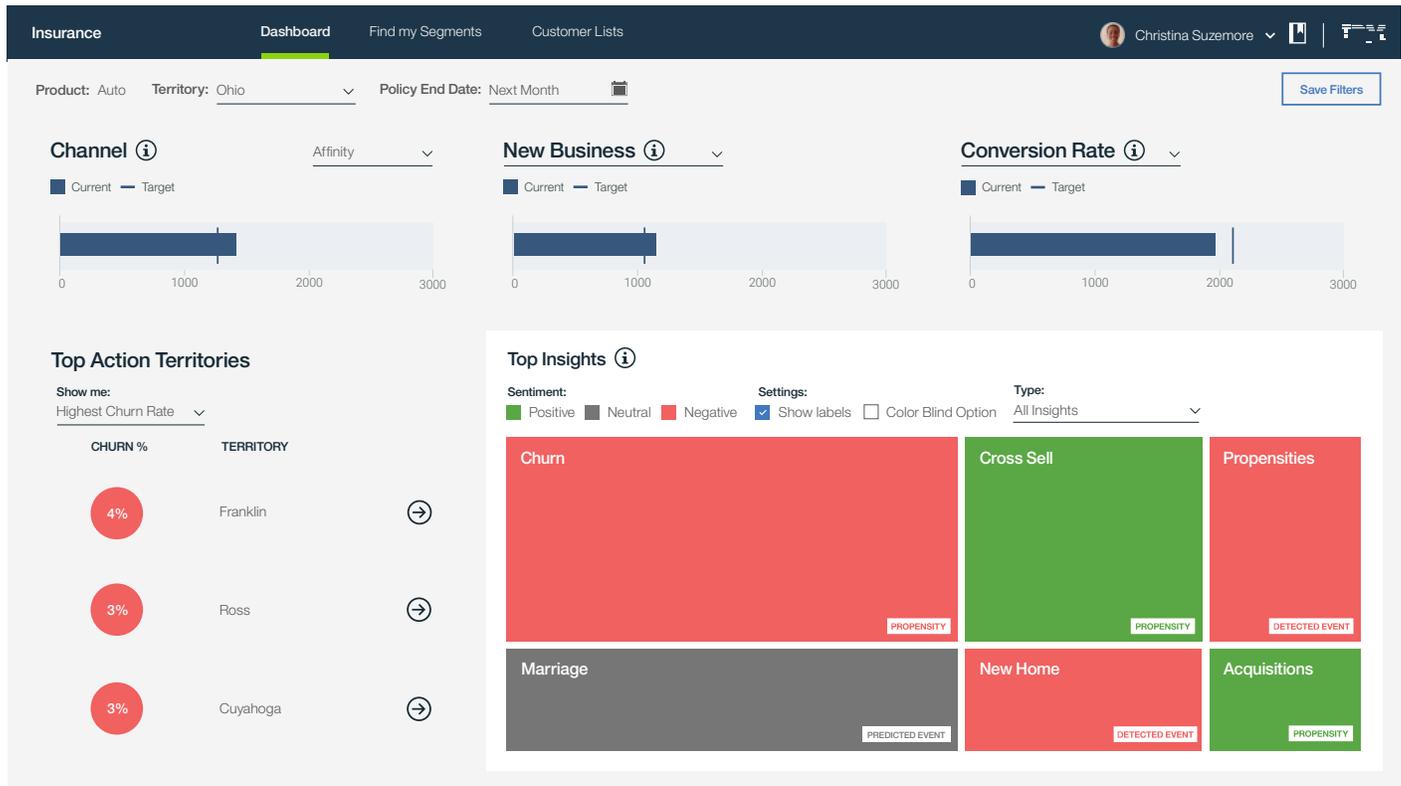


Figure 2. Users can quickly access a range of key performance indicators from the Customer Insight for Insurance retention monitor.

### Optimize each interaction with every policyholder

New customer insights allow you to better engage with your policyholders and focus marketing and customer outreach on efforts that are most likely to succeed. By identifying upcoming life events, you can create new cross-selling offers and team with other types of organizations—such as home improvement stores, security solution vendors, car dealers and more—to provide discounts and promotions. Each successful customer interaction will build loyalty and help your customers recognize the full value your company can deliver.

### Fine-tune customer segmentation for more personalized offers and engagement

Move beyond the basic, demographic-based segmentation available from most analytics solutions. Dynamic segmentation finds patterns in the data and uses those patterns to define more meaningful, less-arbitrary groupings. You can create precisely targeted, personalized offers and tailor experiences to enhance engagement.



### Improve retention metrics

Existing analytics solutions might analyze churn only at a high level. Customer Insight for Insurance enables you to examine and address retention per segment, channel, agent and more. With detailed information, you can develop targeted actions that ultimately have a stronger effect on retention.

### Equip each channel with retention actions customized for each policyholder

Insurance companies interact with customers through multiple channels, from call-center agents and claims specialists to web portals and mobile applications. Customer Insight for Insurance allows you to connect to multiple systems of engagement to provide new insights. You can also equip all channels with retention actions specific to individual policyholders. With detailed customer information and recommended actions at their fingertips, agents, call-center representatives, claims specialists and others will be able to deliver a personalized experience to boost satisfaction and loyalty.

### Better insight is better business

Customer Insight for Insurance uses a cognitive approach to create a comprehensive view of customers and generate new insights into customer preferences and future behaviors. Sharing information and insights across the organization enables you to improve decision-making and deliver a more engaging, personalized experience to your policyholders—a valuable differentiator in today's crowded markets.

### For more information

To learn more about IBM solutions for the insurance industry, contact your IBM representative or IBM Business Partner, or visit: [ibm.com/analytics/us/en/industry/insurance-solutions](http://ibm.com/analytics/us/en/industry/insurance-solutions)

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<sup>1</sup> IBM Institute of Business Value, "Capturing hearts, minds and market share: How connected insurers are improving customer retention," 2015, [ibm.com/services/us/gbs/thoughtleadership/insuranceretention](http://ibm.com/services/us/gbs/thoughtleadership/insuranceretention)

<sup>2</sup> IDC, "Global Insurance 2015 Top 10 Predictions: Perils and Prospects for the New Year," Doc #AP250896, January 2015.

<sup>3</sup> IBM Institute for Business Value, "Understanding customers and risk: Your cognitive future in the insurance industry," October 2015, [ibm.biz/cognitiveinsuranceibv](http://ibm.biz/cognitiveinsuranceibv)

<sup>4</sup> Proof of concept work conducted by IBM and a large multinational property and casualty insurer.



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