Solutions for Insurance Companies

MicroStrategy Business Intelligence: Solutions for Maximizing Policyholder Profitability
I. Introduction: Increasing Underwriting Profits in a Tough Market .......................... 2
II. Few Customer Touchpoints ...................................................................................... 2
   Fragmented Sources of Information ........................................................................... 3
III. Lack of Focus on the Policyholder .......................................................................... 3
IV. Business Intelligence Delivers New Revenue Opportunities .................................... 4
V. Create a Consolidated View of the Customer ........................................................... 4
VI. Review Trends of Customer Behavior ..................................................................... 4
VII. Create Next-Best-Action Strategies ....................................................................... 5
VIII. Distribute Useful Information Efficiently .............................................................. 5
IX. Plan for the Enterprise, Deploy by Department ...................................................... 7
X. Conclusion .............................................................................................................. 8
I. Introduction: Increasing Underwriting Profits in a Tough Market

Change is inevitable and challenging market conditions make it necessary for companies to change the way they approach their business. Companies are compelled to revisit their strategies and alter business models to ensure that they can optimally use their resources to maximize profits. Insurance companies are no exception to this rule. Trying times force insurers, like other industries, to focus inward and examine the unrealized value of different sources of revenue.

Typically, the two main sources of revenue for insurers are:

1. Underwriting profits
2. Investment gains

Investments in a barren economic environment will yield minimal, if not negligible, returns. Thus, companies are forced to maximize their profits from underwriting and ensure that they have optimal strategies to achieve this end. A critical and high-yielding strategy to exploit returns from writing new business is creating new sales opportunities for existing customers. Insurers strive to gain access to insightful policyholder information that helps them sell more. Although it is impossible to know everything about their customers, companies attempt to achieve as much as possible to segment customers, position products, and target customers most effectively.

Consider the example of customer X, a recent college graduate. Important questions to ask would include: What would be a significant purchase for him in the next few weeks? Will he buy a new car? Will he rent an apartment, buy a house, or simply live with his parents? What is his current income? What is his growth potential? What products seem to be a good fit given his current demographic and buying behavior? What product bundles can be marketed to him? Is this a profitable customer and, if so, how can the value of this customer be maximized?

The questions are endless and the potential opportunities even more. This paper aims to achieve two objectives – highlight the typical problems that restrict insurers from gaining an in-depth, single view of the customer, and establish how MicroStrategy business intelligence solutions will help them gain a thorough understanding of their customers and provide actionable insight to generate new revenues.

II. Few Customer Touchpoints

Insurance companies have the unique problem of being an industry that is dependent on loyalty, but providing a product and service that involves little customer or product interaction. The relationship between a consumer and an insurer is most often initiated at the time of a significant life event, such as anticipation of a new baby or the purchase of a new car or house. The customer evaluates the insurance market to find a company that offers the best coverage at the lowest price. The customer has the choice of contacting an agent or communicating directly with an insurer via the phone or Web. Following this initial communication and purchase interaction, most insurers rarely receive or create opportunities to interact directly with their policyholders.

Once a customer has purchased a policy, there is customarily little, if any, contact required (or carried out) between the insurer and the policyholder. Automated policy administration systems take care of billing as well as renewals.
Most policyholders communicate that they wish to terminate their policy by not communicating and simply stopping premium payment. As a result, the interaction between an insurer and policyholder tend to be focused upon rather mundane activities such as change of address or premium delinquencies. When these rare interactions do take place, most companies are not equipped with intelligent customer insight to capitalize on the opportunity to sell new products, improve satisfaction, or ensure stronger customer loyalty.

**FRAGMENTED SOURCES OF INFORMATION**

Business expansion in the insurance industry is most commonly achieved through acquisition or mergers to capture new markets, channels, or lines of business. Not only do companies acquire capital and human resources, they also inherit various systems and databases where these companies store information. These systems can range from departmental systems to enterprise-wide systems. The inconsistent nature of these systems leads to a number of data sources that are fragmented across the enterprise. Integrating this data is rather difficult but important for providing proper customer care as well as the basis for any cross- or up-sell opportunity.

![Diagram](https://via.placeholder.com/150)

*Figure 1. Typically, insurance companies access information pertaining to sales, customers, or other business areas from multiple sources, and view this via Microsoft Excel, Microsoft Access, or HTML documents.*

**III. Lack of Focus on the Policyholder**

Today’s reality is that the relationship between an insurer and their customer remains largely undefined. A significant number of insurance companies continue to perceive the insurance agent as their primary customer. They aim to keep this relationship mutually beneficial and lure them with incentives to sell their products, as opposed to their competitors. The agent, on the other hand, understandably, has a primary motivation to sell the policies of those companies that provide the best commissions and incentives. This sometimes leads to channel conflict and possibly disadvantages for the insurer and the company does not develop a holistic view of its customers, their needs, and their buying habits.
IV. Business Intelligence Delivers New Revenue

Simply put, business intelligence solutions (or BI) provide information to businesses that can be translated into actionable insight and additional revenue opportunities. Historically, insurers have generally regarded BI as synonymous with “reporting,” with most BI solutions being deployed by IT departments to generate reports from transactional systems. Today, best-of-breed BI platforms can be cost-effectively deployed to tap into and query a number of different sources of data to produce useful information based upon historical and real-time data, and predictive models. Resulting information about customer demographics, product performance, and next-best actions can empower companies to uncover hidden opportunities and devise strategies to maximize customer value.

V. Create a Consolidated View of the Customer

Creating a reliable single view of the customer has been on the wish lists of insurers for many years. Many insurers have attempted to justify the investment in consolidating customer data by creating positive ROI based upon improved transactional efficiencies. The result has been a number of expensive integration projects with minimal business impact. Rather than establishing a transactional hub, consideration should be given to creating a reliable source of customer data that will become the backbone of customer-focused, revenue generating strategies.

Establishing a reliable source of consolidated customer data should be far easier with greater potential ROI than a strategy of complex system integrations purely for transactional purposes. The MicroStrategy BI platform has been designed to sift through large amounts of data from disparate sources at either the departmental or enterprise level for the purposes of transforming it into actionable business information. The resulting benefit is around the ability to consolidate and view data on an automated or ad-hoc basis for the purposes of uncovering specific information or revenue opportunities, rather than transactional efficiencies.

VI. Review Trends of Customer Behavior

Considering the number of competitive offerings available to most consumers, insurers need to focus some effort on maintaining a level of continuous customer satisfaction. Insurance companies tend to respond to customer attrition on a reactive basis, acting only after the customer has initiated the process to terminate their policy. At this stage, the chances of reversing the customer’s decision are very low. However, proper application of BI can lead to a more proactive retention strategy.

In such a competitive scenario, insurers need to use creativity as well as their data to locate customers at risk of churn as well as strategies and tactics to retain those that are identified. MicroStrategy excels at efficiently analyzing large amounts of historical data to uncover key trends and patterns in customer behavior. The resulting information can then be used to build analytical models that predict future customer behavior as well as their response to offers. While there are a number of tools that can perform simple analyses, MicroStrategy provides the unique capability of making this task much easier for any level of data. The ability to engage in more frequent and substantial analysis of customer or prospect data will result in better competitive information and bottom line gains.
VII. Create Next-Best-Action Strategies

While direct contact between insurers and policyholders is relatively infrequent, each customer interaction provides a rare opportunity for insurers to communicate unique cross- and up-sell offers to their customers. It is important for insurers to prepare in advance for these interactions by devising next-best-action strategies. Questions such as “what do we know about the customer,” “what will maximize the value of this customer,” or “what offer has the highest propensity of success with this customer” will provide information to create a unique action to be undertaken with a particular customer at the next touch point. For instance, it is equally pointless to prolong the relationship with a policyholder that has clearly proven to be unprofitable as it is to attempt a cross-sell of homeowner’s insurance to a policyholder who does not own a home. A holistic view of a customer’s profile and in-depth information will allow insurers to optimize the relationship and maximize the value of each and every customer.

MicroStrategy provides proven solutions that prepare insurers to maximize the customer relationship before the interaction occurs. Companies can identify hidden patterns in loyalty and buying behavior that had been previously overlooked. Writers of a diverse set of products or multiple lines of business enjoy the advantage of more data, flexibility, and unique, targeted offerings from which to choose. This directly leads to higher profitability per customer and strengthening of the customer relationship. Efficient use of an integrated strategy featuring predictive analytics can help analyze customers’ spending, usage, and other behavior, and help cross-sell the right product at the right time.

VIII. Distribute Useful Information Efficiently

Business information, even of the highest quality, is neither useful nor actionable if not made easily available to all who need it, at the time it is needed. The most popular tool and medium for distributing information amongst insurers today is a spreadsheet sent via e-mail. Information communicated and presented in simple formats such as spreadsheets tend to create pockets of enlightenment, which require constant scrutiny and reconciliation in order to be accepted by the enterprise. While this system is relatively easy, its inherent unreliability, lack of security, and limited flexibility makes it an inefficient information delivery strategy.

MicroStrategy, on the other hand, provides a tremendous amount of data access and analytical power, while allowing all users to consume the vast amounts of resulting information in easily communicable formats such as dashboards and scorecards. Interactive dashboards are visually intuitive displays of data optimized for quick assessment of performance. Scorecards represent a way for business users to track and improve corporate performance by optimizing the organization and presentation of key performance indicators (KPIs).
Figure 2. MicroStrategy dashboards present vast amounts of data in an interactive and easy consumable format.

Dashboards, such as the one displayed above, provide highly intuitive ways to understand and isolate key business indicators. With a quick look, C-level officers of an insurance company can establish a macro view of policyholder acquisition, attrition, and retention, then drill down and across to assess contributing factors. This analysis can help direct corrective actions, such as budget allocations to marketing teams for customer loyalty initiatives, as well as drive the direction for new product bundle creation. Regional Directors can further investigate the same dashboard containing information which is limited to their geography. They can answer questions around policyholder demographics, then drill in to analyze underlying data which may provide guidance on changes in age segmentation and subsequent purchasing habits. Business users such as District Managers or Agents can also view their specific data within this dashboard format to visualize performance characteristics of their book of business and drill down to the individual policyholder record. Every business user thus operates upon the same (accepted) sources of data that establish a consistent representation of a customer, whether from a macro or micro perspective.
IX. Plan for the Enterprise, Deploy by Department

A customer-focused data architecture that spans the enterprise is ideal for business intelligence since it can access a single and cohesive model of the business. This provides a business-oriented view of all of the data available to the enterprise, and gives every business user the building blocks to conduct investigative analyses and assemble information in formats easily understood by their peers and associates. This ensures that a single version of any information will exist across the enterprise.

Another benefit of an enterprise BI architecture is the highly efficient use of administrative resources. Compared to supporting numerous disparate islands of BI, the enterprise BI model minimizes the personnel needed to manage and maintain the software as well as hardware and training expenses. While BI strategy is best planned at the enterprise level, tactical deployment by department is the reality. Enterprise BI is often best achieved in stages and should be planned and built incrementally. This allows organizations to consider their most immediate needs and build enterprise momentum through realizing near-term benefits at the departmental level.

Figure 3. MicroStrategy enables smooth and gradual evolution from islands of BI to enterprise BI.
MicroStrategy accommodates departmental BI requirements as well as a cohesive and consistent enterprise-wide framework. The MicroStrategy platform provides the flexibility for departmental users to access different sources of data quickly and efficiently without significant effort and support by IT resources.

X. Conclusion

While market conditions may erode investment gains and prevent insurers from realizing record earnings, smart use of business intelligence solutions provides an opportunity to improve underwriting profits and operational results in the short term. Innovations in BI technology along with strategic planning and execution can create a cost-effective path to a consolidated customer view, which then enables business users to better understand the needs, buying habits, and profit potential of the policyholder. The result is actionable business information that may be deployed in a variety of uses, such as next-best-action strategies, which provide both enhanced profitability in the short term as well as greater competitiveness and maximization of customer value in the long term.