



FUTURE LAB
By The Innovation Village



INSURTECH
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FUTURE SERIES
A LAUNCHPAD TO
UNIMAGINED POSSIBILITIES

Topic 2:

Leveraging Big Data in Insurtech

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Table of contents

Introduction	_____	01
Presentations	_____	02
Discussions	_____	06
Recommendations	_____	04
Gallery	_____	10



Opening remarks: Evelyn Atim Magomu, InsurTech Lab

Insurance is an inherently data-driven industry. The data which insurers need is still unprocessed in their traditional management systems – they just have to understand how to use it to their advantage. This could potentially unlock new sources of value. Analytics is increasingly becoming a game changer for insurers.

Data use is expanding beyond the traditional focus on risk to all areas of the insurance business. Big data is not just a buzz term any more - as consumers demand more from insurance companies, the need for a more efficient way to examine risks grows as well.



Data: The Life blood by Joel Muhumuza, Country Manager, JUMO

Joel shared some key insights on why data is the lifeblood for the digital economy and how it must be leveraged and guarded jealously. First, he stated that data must be defined for its purpose. Sometimes the data pool is irrelevant. Insurers need to find entry points which can be analyzed effectively.

Providers profit when they develop a unique understanding of likely outcomes and their costs, and can thus offer insurance products and price them profitably. Data can also be used in other aspects of the insurance industry. With more and better data, you can prevent fraudulent claims and pay legitimate ones faster and with fewer resources.

The more data you have on a client, the more it is easier to trust them. While there's a lot of space for data innovation in InsurTech, data is not a magic bullet, the thinking process must be rigorous. The processes must be subjected to a lot of learning to create efficiency and consistency. More experimentation needs to be done so there's value for service.

Data protection was raised as a key concern. An ethical consideration must be made in line with measures to protect client databases from intrusion and unfettered access. Failure to do this would dampen the efforts to build trust which is already diminishing in the industry.

It's important the service providers are held accountable for the personal data they possess on behalf of their consumers. Due diligence with data protection is necessary. Moving forward, insurers must always look into a more clear and concise approach in service offering. The end goal is that customers must get the lowest price for the best product. This drives customer inclusion.



Insurance Data: Brain Musisi, Data Analyst, Fenix

The insurance industry revolves around data. Data can be used for:



Finding patterns and insights (Analytics)



Making predictions (Machine learning)



Automating processes



Experimentation

For Insurers the opportunities for data are in:



Enabling Fraud Detection



Efficient claims processing



Personalized services including recommendations



Automating processes



Improving current products

Predictive analytics:

Utilizing data and analytics offers substantial opportunities for insurance companies to:

- 01 Generate insights that help transform the business
- 02 Create closer relationships with customers
- 03 Gain competitive advantage
- 04 Generate entirely new business models
- 05 Dynamic pricing models
- 06 Determine impact of events, offerings, and courses of action may be

Considerably - insurers have enormous amounts of data, but to fully capitalize on it they must be well prepared to accommodate traditional and non - traditional sources. They must become data consumers, and have the right analytical tools to make the data meaningful.

Opportunities in using predictive data analytics :

- 01 Realtime Fraud detection
- 02 Accurate legal claim estimates built by algorithms
- 03 Efficient claims processing
- 04 Health insurance quotes based on data coming in from wearables and a data based medical history
- 05 Car insurance quotes based on driving habits generated from smart dashboards
- 06 Personalized services including recommendations
- 07 Improving current products. Insurers have the advantage to re-invent the innovation wheel on product design & service offerings
- 08 External data sources can be used to automate processes
- 09 Finding niche markets. Market penetration for insurers will be easier, cost efficient and affordable for customers.

By utilizing the latest advances in big data and advanced analytics, InsurTech provides the ability to go beyond generalized modeling of risk.

Predictive analytics can help insurers identify whether a customer is a retention risk and suggest the correct action to mitigate that risk. This identification can take place as the policyholder interacts with an agent, mobile application, website or call-center representative.

DISCUSSION

Enhancing customer experience:

- 01 Timely, appropriate actions can significantly improve customer satisfaction and help keep valuable policyholders. Predictive analytics can even determine the likelihood that a customer will move to a competitor, allowing time to identify the next best action for retaining the customer.

Further, it was also discussed that a data- and analytics-enabled view of policyholders helps insurance companies anticipate customer needs. Allan Rwakatungu, the CEO Xente shared the view that analyzing customer actions or tracking important life events can enable a company to offer new types of policies or new levels of coverage that match a customer's current or future needs.
- 02 Analytics can also help identify that next best offer based on an enriched view of the customer that is supplemented with new data sources (such as social media) for additional context. Sophisticated analytics can then predict the likelihood of the policyholder accepting the offer—all during a real-time interaction.
- 03 Allan Rwakatungu CEO of XENTE also proposed that highly targeted offers can be automatically delivered through all channels of communication with the customer including producers, contact-center support, social media, chat, mobile, email and regular mail or provided to agents in real time at the point of customer interaction. Creating personalized offers and delivering them as preferred by the policyholder help improve customer sentiment and increase profitability.

Some of the proposed recommendations by stakeholders

01 Digital engagement

Policyholders must be able to move between digital or self-service channels and human-based interactions without repeating their information each time. Data and analytics help insurers solve this problem by gathering insights from historical and real-time web or app clicks and applying them to present relevant interactions digitally. Improving digital engagement requires online tools that give policyholders the ability to interact with insurers in real time. These digital channels can also create great leads, while potential customers can be matched with the right channel to close new business.

02 Leverage the Internet of Things

In today's digitally infused world, data sources range from sensors in medical devices or wearable health-tracking devices to vehicles, consumer electronics and commercial equipment used in industries like mining, farming and transportation. This always-connected, device-driven phenomenon is called the Internet of Things (IoT), and it can provide a wealth of valuable information for insurers - if they can intelligently collect and analyze it.

For insurers, the connected car, home and lifestyle are all generating new opportunities for customer interaction and risk mitigation. The IoT creates business potential by aligning data and analytics strategies with policyholders' lifestyles.

A participant suggested that new regulatory clearance from the Insurance Regulatory Authority can pave the way for Insurers to adopt some of these innovations. In fact, the regulator agreed that this was possible through its regulatory sandbox that is being set where InsurTech players or innovators can test their novel inventions in order to get approval.

03 Catastrophe insight and response

What if you could send real-time alerts to your policyholders about an impending event, and recommend actions to take before, during and after the event based on their exact location? Running data and analytics risk models can enable insurers handle the volume and variety of data available while enabling response planning.

This way, insurers can dive deeper into potential losses at the policy level and calculate the immediate effect of a new policy on the portfolio while it is being quoted. How an insurer helps its policyholders prepare for and recover from a disaster is crucial: policyholders must feel the insurance company is available and accessible during emotional and stressful events.

04 Financial performance management

Understanding what drives profitability is essential for Insurers. Factors range from pricing, underwriting to less well understood aspects such as dynamic decision making can turnaround the profit of insurance companies. Brian Musisi, a data scientist from Fenix International observed that unfortunately, many insurance companies have not developed strong, reliable and effective planning, budgeting and data forecasting capabilities.

On top of that, Musisi added that the customer experience design is still lacking and yet it can be leveraged to improve packaging of insurance products as well as the automation of processes to ease uptake.

The goal is to create a solid foundation upon which all decision makers can base their product, operational and customer-related activities. Data analytics must therefore be exploited to evaluate large sets of data to discover patterns, market trends, customer preferences and other useful information.

OTHER RECOMMENDATIONS



We need the buy-in of decision makers to provide more context and general direction.



Resources sharing/collaboration is necessary. The support among players is also becoming more prevalent.



The Future Lab
Ntinda Complex (opp. St. Luke's Church),
Ground Floor, Block D,
P.O. Box 25760,
Kampala, Uganda

futurelab@innovationvillage.co.ug
eatim@innovationvillage.co.ug



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