



BPM AND DATA-DRIVEN DECISION-MAKING IN INSURANCE

Abstract

Insurance providers operate in an increasingly dynamic and competitive market where customer demands and regulations change frequently. Traditional methods of maintaining a fixed portfolio of products are no longer enough to stay afloat. With the help of BPM, businesses must leverage data analytics, machine learning, and artificial intelligence to predict market trends and offer customised products and services to their customers with minimal touchpoints.

In a dynamic and competitive landscape, it is imperative for insurance companies to understand the unique and distinct needs of their customers. Having a proper perspective enables them to offer relevant products at the right time. By harnessing the power of data-driven insurance, companies can gain deep insights into customer demands and expectations.

Armed with this knowledge, insurers can proactively work towards claims and cost reduction.

For instance, individuals over 40 who lead a sedentary lifestyle and with a family history of heart disease are at a high health risk. The insurance agency can incentivise these customers with a lower premium if they walk or run a certain number of steps each

day. This innovative approach is possible through a powerful combination of data analytics and cutting-edge technology that sets and tracks daily health goals.

Statistics show that digitisation through BPM in insurance can reduce costs and turnout. The market size of BPM in insurance continues to grow.



Current challenges in the insurance industry – A quick overview

The insurance business environment is constantly evolving, with increasing competition and the risk of theft and fraud. During COVID-19, the number of claims shot up, and insurance companies struggled to cope with the demand. Furthermore, in a globalised world, an

incident in one country impacts several others. For example, the Russia-Ukraine war impacted supply chains across the globe. Here is where data analytics plays a crucial role.

Data-driven insights help insurance businesses predict market trends, enhance

and optimise pricing mechanisms, understand customers, analyse risk, and safeguard themselves from fraud. Data analytics provides a bird's-eye view of transactions, product performance, and customer satisfaction.

Developing newer solutions for data-driven decision-making in insurance

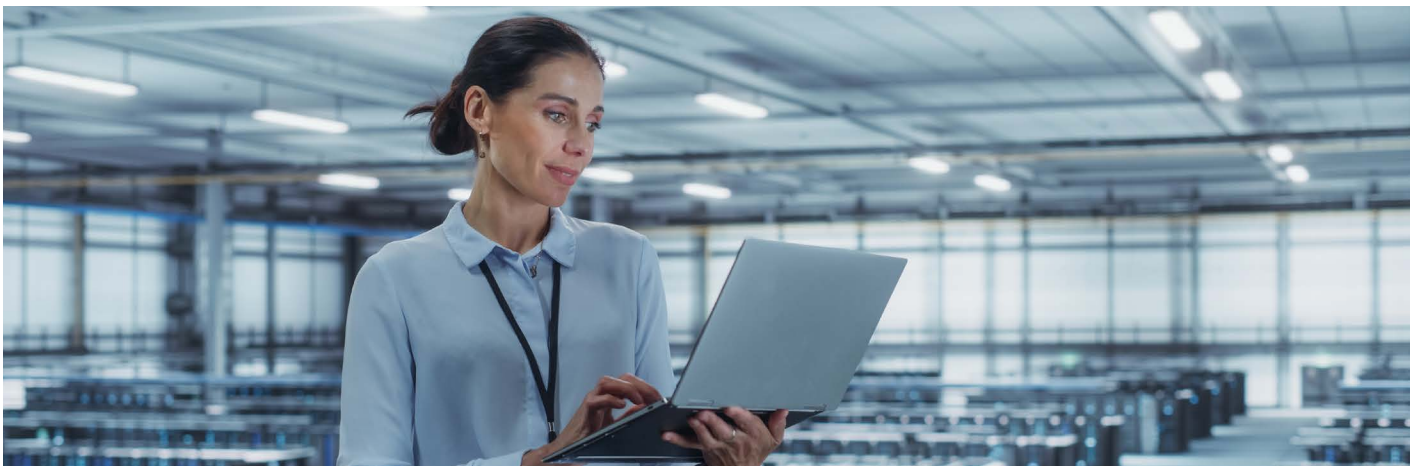
Data management and analysis platforms implement support tools for several online transactions that were once partially or fully manual, such as onboarding, subscriptions, and payments.

A data-driven insurance model simplifies and automates the response

process for contracts, bill generation, or premium payments. Relevant and timely communication about a customer's journey creates a meaningful experience and fosters trust and engagement.

Customer communication management (CCM) is the key to meeting constantly

changing demands. Insurance businesses can quickly evolve and offer products, proposals, insights, and recommendations that are relevant to the customer.



10 Ways to harness data analytics for insurance

Artificial intelligence (AI) and [robotics in insurance](#) provide improved processes and new opportunities. Rather than focusing only on internal data, insurance businesses with digital solutions also focus on behaviour-based analytics, [market basket analysis](#) and credit scores from credit bureaus.

Both clients and insurance companies benefit by harnessing data analytics in the following ways –

[Customer profiling and segmentation](#)

By leveraging historical data and combining it with behaviour-based analytics, insurers can better understand their customers. For example, a customer with a higher credit score is likely to get a lower interest rate, and the verification process is shorter.

Using this data, insurers can segment customer profiles based on age, risk appetite, and income and offer tailored products to improve conversion rates.

[Risk assessment and claims prediction](#)

In uncertain times, insurance companies must have the technology to assess risk and predict claim volumes. Data analytics analyse past claim patterns and market parameters to identify potential hazards.

Insurers can use this information to appropriately price their products, thus meeting customers' needs and ensuring profitability.

[Price optimisation](#)

Optimising product prices is crucial to being competitive in the market. Data analytics gathers information from various sources to help insurers accurately predict the likelihood of claims. This strategy offers the best products to customers and helps them retain them.

[Fraud detection and prevention](#)

Insurance fraud can directly impact a company's bottom line. Data analytics help detect and prevent fraud by identifying

discrepancies and diversion from set patterns. Machine learning algorithms and artificial intelligence can help insurers predict and prevent fraudulent claims, thus lowering financial losses.

[Customer acquisition and retention](#)

By understanding customer needs, behaviour, and preferences, insurance agencies can enhance acquisition and retention. Insurers can design effective marketing strategies with personalised offers to improve customer engagement and lead to higher retention rates.

[Cross-selling and upselling](#)

Detailed customer profiles can help insurers cross-sell or upsell the products to meet the customers' needs. For example, a medical insurance holder who is recently married may want to cover their spouse under the same or a different policy. If the insurer knows the customer profile, they can offer a product that covers the family.

Streamlining operations

Data analytics scans and analyses vast data to synthesise meaningful information that can help insurers optimise processes, reduce inefficiencies, and make data-driven decisions. This directly impacts the bottom line and improves productivity.

For example, by re-analysing the claims approval process, an insurer can reduce redundant and unwanted steps, making the approval process faster.

Optimising decision-making

From pricing strategies to product designing and marketing campaigns, data analytics provides a platform to enhance

the decision-making process. Effective and efficient strategies result in direct positive business outcomes.

Data-driven innovation

Valuable insights from data analysis help insurers innovate and develop newer products, services, and business models. For example, a base life insurance policy with multiple add-ons (money back, market-linked, etc.) helps buyers choose what they want depending on their age, budget, and goals.

Compared to this, a package policy that makes unwanted features mandatory is

unattractive for customers who may switch to a competitor.

Compliance with regulations

Regulatory compliance is critical for all insurance agencies, and data analytics can assist by automating reporting, identifying potential risks, and raising alarms if there is any default. For example, insurers in the U.S. must follow both federal and state regulations, including licensing of companies and brokers, regulating insurance rates, and investigating accounting methods and contracting terms.



Importance of digitisation to create meaningful customer insights

Modern technology makes data more accessible than ever before, helping insurance companies forecast business direction, make informed decisions, optimise processes, and maintain insights about the risks.

Automation is a powerful way to leverage machine learning, robotics, and artificial intelligence to gather customer preference information. Collaboration with external credit score agencies helps directly extract a customer's credit score without manual

work. Customer relationship management (CRM), ticket management, and customer communication management systems allow your staff to stay on top of customer requests and the status of enquiries.

The impact on value-added services

With the availability of real-time data, there is a fundamental shift in the range of services insurance companies can offer. Connected insurance leverages the technologies mentioned above with the Internet of Things (IoT) and predictive

analytics to give a 360-degree and timely view of customer behaviour.

Insurers can design and offer value-added services across all existing and new digital touchpoints. By automatically uploading customer profiles to internal platforms, mini-sites, apps, interactive videos, and social media accounts, insurers can formulate proposals, empower customers to purchase using digital signatures, issue reports, and recap all documents.

Measuring the results of using data analytics in insurance

It is essential to measure the results after deploying technology for data-driven decision-making in insurance. Although the metrics depend on the nature of your business, some of the common ones can measure –

1. Funds your company saved by using data-driven systems.
2. Improvement in the claims process across all the customer touchpoints.

3. The time your claims personnel save by using data-driven analytics and systems.

Decision-makers can analyse these results to fine-tune the systems and strategies to maximise their effectiveness.

How does BPM play a role in data-driven decision-making?

At its core, BPM involves analysing, modelling, implementing, monitoring, and continuously improving business processes. By integrating BPM with data analytics, insurance companies can gain valuable insights into their operations, customer behaviour, and market trends. This integration helps identify inefficiencies, enhance process performance, and swiftly adapt to changing market conditions.

Traditionally, manual processes lead to executives asking the same questions repeatedly from the customers, which

can cause frustration for the customer. Additionally, the likelihood of human error, slow and ambiguous responses, and inaccurate information can lead to poor decision-making internally and sub-standard service to the customers.

Many forms, spreadsheets, checklists, and customer tracking mechanisms can also make the process complex and tedious for the staff.

BPM empowers the insurance industry with tools and methodologies that enhance efficiency, data management, risk assessment, cost management,

customer engagement, and overall agility. These improvements lead to better, more informed decision-making, ultimately benefiting both the insurer and the insured. However, successful implementation requires careful attention to data quality, privacy, and organisational change management. [Insurance outsourcing](#) helps insurers opt for tools and strategies that position them to thrive, advocating an omnichannel system for internal and external interactions where they can nurture customers and make informed decisions.

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