Big Data can see tomorrow today

A large life insurance company needed to predict the future in order to position itself optimally in the rapidly evolving online insurance sales market.

Advisory Services
Big Data
Insurance

January 2013

Client's challenge

A Fortune 500 insurance company that serves its customers with a wide variety of insurance products determined that fast-moving marketplace changes would require a hard-hitting and sweeping analysis of its sales and marketing strategies in the online space. Auto insurance sales had moved online quickly and become commoditized over the past decade—70 percent of today's auto insurance purchasers have obtained an online quote—and the company needed to know if the life insurance sales that were central to its growth were destined to follow the same evolution to direct distribution.

It was critical for the company to avoid finding itself flat-footed if the market shifted suddenly, and it planned to build a high-performance direct distribution operating model to support future growth of online sales. But how soon would it need to ramp up? What barriers would it encounter? What sales criteria would change the market most? Which customers were most likely to gravitate toward online purchase options? Getting answers to all those crucial questions would require deep and far-reaching analysis of huge amounts of data.

PwC's Advisory solution

The insurance company turned to PwC to help estimate the potential for selling individual life insurance through the direct channel and to forecast sales for the next three to five years. To find the answers, PwC collected and analyzed vast Big Data sets that addressed three questions: How would new healthcare regulations and the proliferation of electronic medical records impact online sales? How much marketing effort would it take to make consumers feel comfortable shopping for life insurance in this new way? And what kinds of upcoming technology changes would make online sales more viable?

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PwC brought its strong understanding of the opportunities, sources, quality, and use of available third-party data sets and its analytical capabilities to give the client the insights it needed. We helped in analyzing macroeconomic data, consumer data, and technology advancement data, modelled it out five to ten years, and discovered three potential barriers to market growth: the fact that life insurance applications often require some kind of medical underwriting (such as medical reports and samples), the fact that consumers tend to be reluctant to share their most personal medical information online, and the complexity of some of the life insurance products. If these barriers were to fall, however, with more patient information available electronically and therefore more easily accessible by the insurance company, and with consumers showing more willingness to share it online, then the move to online sales could happen quite quickly.

Who would the most likely sales prospects be? PwC was able to collect external third-party data sets that showed down to the ZIP-plus-4 level how many people have life insurance, what type it is, what their net worth is, what demographic categories they fall into, how digitally savvy they are, and even how much time they spend online per week. Armed with that model, the company could easily find the prospects most likely to shop online and create marketing programs that would target them with a laser-like focus. The model was flexible enough to be adjusted for improving economic conditions, new competition in the market, or changes in adoption rates.

On the technology side, PwC helped analyze the types of technological and operational underpinnings the company would need in order to create a direct distribution system that could analyze a customer's application, write a policy, and confirm it, all with the kinds of response times that customers expect from online sales interactions.

Ultimately, PwC was also able to provide a scenario analysis of sales and a scenario analysis of the company's potential market share over the next three to five years. The good news: PwC helped the company find more than $10 billion in potential market sales if the market conditions were right.

Impact on client's business

The insurance company's Big Data solution concluded that if the company increased its marketing spend to increase market awareness of its products, decreased the customer dropout rate at various stages in the online purchase process, and increased the ease of use and accessibility of the online channel, it could see remarkable increases in sales.

As a result of this Big Data initiative, the company estimated that it could achieve $200 million in direct term life insurance sales and see substantial growth in its direct whole life insurance market share by 2015, under certain scenarios. The company is acting on these conclusions by enhancing its direct distribution group. PwC is helping the company develop a more data-driven decision culture as it combs through more Big Data sets to predict other market changes that may shake up the insurance industry in the future.

For more information, please visit

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