



CASE STUDY **Bancassurer**



Case Summary

Industry: Insurance

LoB: Home Insurance

Project Focus: Pricing analytics

Challenges

- Understand long term implications of pricing analytics methodologies
- Ensure long term operational independence from external consulting

Business Results

- Achieved profit impact of over **£5M**, or **2.1%** of GWP, with no change in retention
- Set up a process for identifying cost-effective data variables
- Identified customer segments that were receptive to discounts
- Identified customers with a high probability of mid-term cancellation
- Set up and incorporated a discount model
- The Earnix Solution for Insurance was integrated into client systems

Leading Provider of **Home Insurance**

Background

The client is a leading provider of home insurance products sold through multiple channels including a branch network and direct sales. Existing pricing methodologies developed in-house were based on estimations of demand and segment-based pricing using analytical tools.

Challenges and Goals

› Understand change management requirements

The client wished to understand the long term operational implications of an analytically infused pricing process and how analytics would be incorporated into current practices such as pricing tests, result monitoring and real-time use of results.



› Limit dependence on consultants

The client wished to limit dependence on expensive consulting relationships.

Earnix Solution

› Rapid knowledge transfer

Earnix consultants worked on-site for two months together with the company's actuarial team to achieve a full transfer of knowledge related to the Earnix Solution for Insurance. A local copy of the solution was installed on company computers.

› Extensive data management

Key activities included data preparation, statistical modeling, defining key constraints and inputs for pricing analytics, extensive scenario development and analysis, and detailed testing of results to form the basis for the Earnix benefits report.

› Client's existing model regenerated

The Earnix Solution for Insurance was used to regenerate the client's existing pricing models, in order to allow a reliable comparison of results.



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**Earnix
Insurance
delivers
analytically
based
pricing
decisions
for all
channels
used by the
company.**

Results

› Profit impact of over £5M

The Earnix Solution for Insurance delivered a total profit impact of over **£5M** in year one, equivalent to **2.1%** of the premium written, while maintaining existing retention rates. Impact was measured by comparing the results to those of existing in-house analytical approaches.

› Potential profit impact of £9M

Earnix proved the ability to raise profitability impact to **£9M** in year one, equivalent to **3.8%** of gross written premium, while maintaining the same retention level, if one constraint imposed by the client was relaxed.

› Impact variables identified

Earnix identified unexpected key data variables that were statistically significant for demand prediction, including a variable subset with significant bottom line impact. Earnix consultants together with the client also defined the process and methodology for identifying such cost-effective variables in the future.

› Price testing process improved

Earnix consultants enhanced the process of market testing by proving the business case for broader and more aggressive price testing, and by leveraging the Earnix Solution for Insurance micro-segmentation capabilities.

› Mid term cancellation profiled and modeled

Earnix helped identify and profile substantial customer segments with a high likelihood of mid-term cancellation. This information could later be used in marketing to retain customers while improving customer lifetime value.

› Discount models

Earnix Insurance was used to build a discount model enabling the client to identify which customers are likely to request a discount. The model helped the client create a preemptive marketing campaign to improve customer retention and reduce profit erosion.