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Startup Heads Share Visions of the Future of Insurance

By Xiaojie (Jane) Wang and Dave Snell

In our May 2019 issue of the *Predictive Analytics and Futurism* newsletter, we published a summary of an interview with two industry leaders from global reinsurance companies. As a reminder, you can listen to that entire interview (that is, our questions—plus many from the audience) at <http://bit.ly/2Pv3bPE>. In this issue, we asked some of the same questions of thought leaders at two startups.

Dr. Renu Ann Joseph is CEO and founder of Luminant Analytics (<https://www.luminantanalytics.com/>), which offers “targeted analytics for the insurance industry,” and Ben Hsieh is the director of Product Development at Bestow (www.bellobestow.com), which is “on a mission to make term life insurance simpler and more human.”

Xiaojie and Dave: How do you optimize an Insurtech strategy, such as predictive analytics?

Renu: To deploy the full potential of predictive analytics, first, business units within an insurer need to be in sync. Pricing should be in sync with underwriting and reserving, which in turn, talks to claims management and customer engagement. Our value proposition is the unique ability to effectively convert external data analytics and predictive models into an insurer’s current risk management processes in an easily digestible manner. Then as more of the business units start syncing, our efforts start generating transformational multiplier effects because we integrate key external environment changes to an insurer’s book, helping them not to get caught out on unforeseen market changes.

Ben: Our strategy begins with continuously monitoring, assessing and modeling the data interactions across marketing, customer experience, underwriting, actuarial, accounting and administration platforms. Tracking all data flows and interactions throughout our full stack technology platform helps us prioritize and organize how we deploy additions and modifications to model inputs and parameters.

Xiaojie and Dave: What are the most important lessons you have learned from the implementation of predictive analytics strategy and projects in your organization?

Renu: As a data scientist or a modeler, your results are more powerful and useful, when you can articulate what it means to a wider organization. For example, reach out to the underwriter/claims manager, who is not a typical recipient of such information, as to why your models predict a certain behavior for a certain client demographic.

Ben: One key lesson is the strategic allocation of resources to the most fundamental platform elements. Learning how to quantify and assess impacts to our technology stack helps us organize and prioritize what we wish to accomplish.

Another lesson is ensuring we understand the strengths and limitations of the vendor predictive model outputs we incorporate into our own model as inputs. We continue to learn how vendor models are being trained and how that calibrates to our customer demographics.

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Xiaojie and Dave: What are some of the new types of data we are encountering, and what can we expect in the near future?

Renu: There is constant bombardment of “big data” that will continue to grow—real-time traffic data from satellites, drones, telematics devices. Probably the next big wave is data coming from IoT [internet of things] devices. The challenge is to filter signals from the massive volumes of data that it will generate.

Ben: Testing and utilizing datasets that are relevant to mortality but not historically used is necessary to supplement our experience data and create a competitive advantage. The types of data being evaluated include behavioral (how people behave during underwriting), health and socioeconomic data points.

Xiaojie and Dave: The infrastructure can be daunting. Does size determine success in this new environment?

Renu: No, size does not. The past few years have seen the emergence of many cloud-based server options. So storing and

managing data is not a problem. However, it is the agility of current systems that matters. Legacy systems, across insurers, are not set up for change in terms—mindset, processes, attitude.

Ben: No. Quality of data inputs, model architecture and talent are key to success in this environment. The unification of marketing and underwriting data will be highly impactful to future product and underwriting development. Despite significant progress made over the last five to 10 years, we are still very early in the development of predictive analytics within the life insurance industry.

Xiaojie and Dave: What advice do you want to share to keep an insurance company from becoming obsolete?

Renu: 1. Product innovation and new players are moving in at a fast pace. If incumbents think that the way they operated before worked and continue that, they are wrong. The marketplace is changing, and it is a force they cannot stop. 2. Listen to your customer more than ever. Insurance has a bad reputation, and with the younger generation having different value systems than the current, customer engagement and retention are important more than ever. 3. Leverage data within your organization well. Break the silos, and this will make your systems more receptive for new technologies.

Xiaojie and Dave: What is your vision of future insurance?

Renu: 1. Leaner and transparent wordings. 2. Dynamic pricing. 3. Fully automated processes for claims management, underwriting, contract reviews, pricing and reserving functions. These departments can be reduced considerably in the next decade along with improvements in output quality with the right use of the right technology.

Ben: We are working to build a more efficient market matching risk and price—getting the best products to the right people. There is more innovation happening in this space than at any time in its history.

Xiaojie and Dave: What have you learned from old players or new players that could benefit your organization?



Renu: 1. You don't need a large team to achieve amazing results. You need a smart, compact team with laser-sharp focus. 2. Multidisciplinary teams are a necessity for insurance to innovate. 3. Innovation is successful only when companies adopt the changes. The biggest impediment to that is mindset change. Hire the right people, and constantly train and motivate them.

Ben: We value the tremendous amount of wisdom built up over decades of experience. Then we build on that with better models, correlated data and challenging historical paradigms to create a more holistic approach to pricing risk. In any regard, change is happening faster than most people expect, and we expect that to accelerate. ■



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