BlueSun

Data Mining: Prospecting for Gold in Your Customer Database

Overview

The Life Insurance Industry possesses a vast amount of valuable demographic and transactional information that today's advanced data mining techniques can extract and interpret to create profitable new product, sales and service opportunities.

What is Data Mining?

Data Mining is the process of applying computer-based techniques to sort through large amounts of data to identify relevant information and statistical patterns that can aid in decision making. It enables you to "see" or interpret the data you have today so you can better plan for the future.

How Data Mining Evolved

The following chart shows how the simple information systems of the past evolved over time to create the advanced data mining techniques available today. As data was collected and analyzed, the need to find answers to ever more challenging and revealing questions arose. New levels of functionality were added, which in turn generated even more questions and capabilities.

Decade	Typical Business Questions asked of Information Technology.	Technology Developed to Answer Them
1960's	"How do I handle all these policies and keep track of them?" "What was my total premium and claims in the last five years?"	**Transactional Efficiency** Data Collection
1980's	"How much term life did we sell in New York last year?	**Process Optimization** Data Access

1990's	"What were Critical Illness sales last April? In Rhode Island."	**Insight and Transformation** Data Warehousing & Decision Support
Now	"What's likely to happen to Universal Life sales next month? Why?" "Where is there opportunity to sell more term life in the next 3 months?"	**Knowledge and Predictions** Data Mining
2010+	"Whom do we send leads and support information to, to drive sales, now?" "What channels and partners do we use?"	**Actionable Intelligence** Automated, Real Time, Just In Time, Personalized Execution.

Why Should I Be Interested in Data Mining?

Data mining is not only the next logical step in capitalizing on the marketing opportunities and cost-saving efficiencies of 21st Century technology, it is particularly applicable to the life insurance industry given current trends in the business.

Here's an example. Due in part to the changing landscape of life insurance products and services, distribution as we know it today is disappearing. With the average age of an agent/advisor now 56, compared with 46 a decade ago, there are almost no new agents coming into the business. As their numbers shrink, competition among companies for their attention is has heated up. Yet traditional incentives such as increased commissions and faster pay-up have played themselves out. Adding new product and service features can help, but mainly as a temporary solution.

Your company may already have launched its own initiatives to respond to this trend, speeding new products to the market or improving your underwriting and compensation processes. But valuable new insights into the future of the business may be embedded in the rich data you've already amassed. By adopting a "mining" mentality, you can extract the "gold" from this underdeveloped asset and devise strategies that can yield additional sales from within your existing client base, as well as build exciting new marketing opportunities for your field force.

Data Mining Opportunities for Your Company

Implementing data mining techniques and analytical tools can help you drive greater results from your sales and marketing efforts. Here are some proven applications of the process and the outcomes they can produce for you.

● The dearth of insurance advisors has left many clients orphaned from their agents, who may not feel their business is lucrative enough to spend more time and resources selling and servicing them. Data mining can identify those 'B', 'C' and 'D' customers in your database and help you collaborate with advisors to build programs that can up-sell and cross-sell them more profitably. Just the fact that these prospects exist in your database makes it likely they'll be favorably disposed to new marketing initiatives.

● With the skillful application of data mining techniques, you can obtain valuable insights into what to sell, when to sell and what channels to sell though. As the traditional sales channel shrinks and the needs of consumers change, life insurance distribution will change, too. The future will see increased sales activity through telemarketing, the Internet, email and other channels. Knowing how to shape and position your products to be compatible with all channels, including conventional face-to-face, will pay for itself with positive results. This can all be accomplished through smart data mining and marketing strategies.

● Life insurance generally is not bought; it needs to be sold. Traditional sales methods, while diminishing, aren't going away anytime soon. Data mining gives you the opportunity to use the insights gleaned from your database to drive more leads, attract new advisors and help them with their training. Moreover, making it easier for prospective agents to break into the business and sell beyond their immediate friends and family will encourage them to stick it out and thus expand your market reach and scale of operation. It will also build stronger distributor relationships and loyalty to your organization, while helping your sales force better meet the challenges that face them.

Data Mining: Easier Than You Think

Tapping into the benefits of data mining doesn't mean you have to replace your existing administration system with one that already has those capabilities built-in. There are interim measures you can take to open up access to your current database and look at the data in a manner where discovery, modeling and predictive analysis can take place.

It's an first important step in moving toward an advanced system that can answer the key questions and deliver the solutions essential to your future success in the life insurance business.

Summary

Adding data mining and discovery capabilities to your information systems can drive your sales and marketing functions in innovative ways. Properly implemented, it can also pave the way to transitioning your data to a platform that can efficiently manage the blend of traditional and emerging sales channels that are available today.

Those life insurers who are quick to embrace the opportunities that data mining and its delivery of actionable intelligence affords will be among the future winners in the marketplace.

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