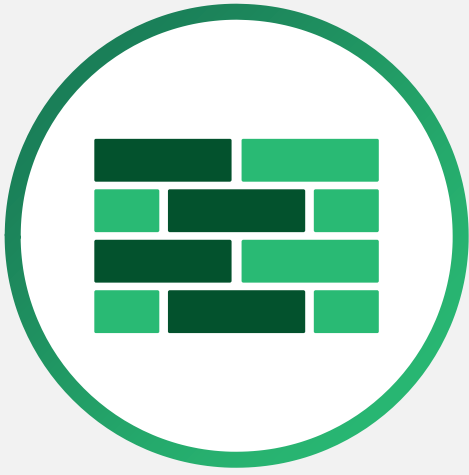# Boost growth leveraging AI

Presentation to Insurance Association

SEPTEMBER 2022

Three topics to be discussed

Growing is becoming more and more complicated

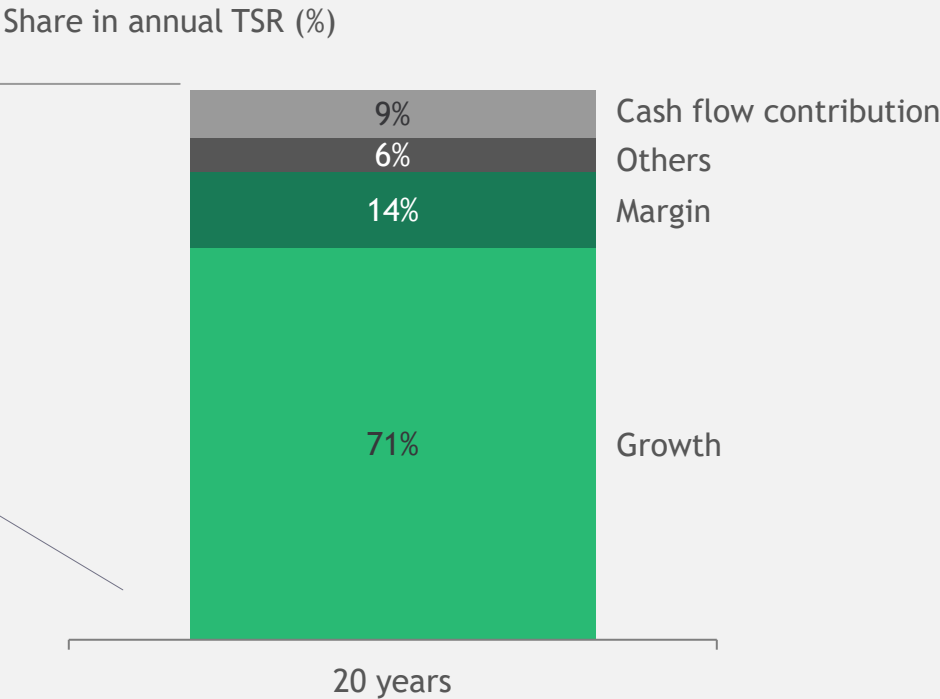Levers to boost growth via analytics and AI

Key success factors

Growth is the main driver of long-term value generation

Correlation of revenue growth and TSR[1]
(S&P Global 1200, 1996–2016)

Annual TSR (%)

Revenue annual growing (%)

TSR sources for top-quartile performers
(S&P Global 1200, 1996–2016)

Share in annual TSR (%)

- 9% Cash flow contribution
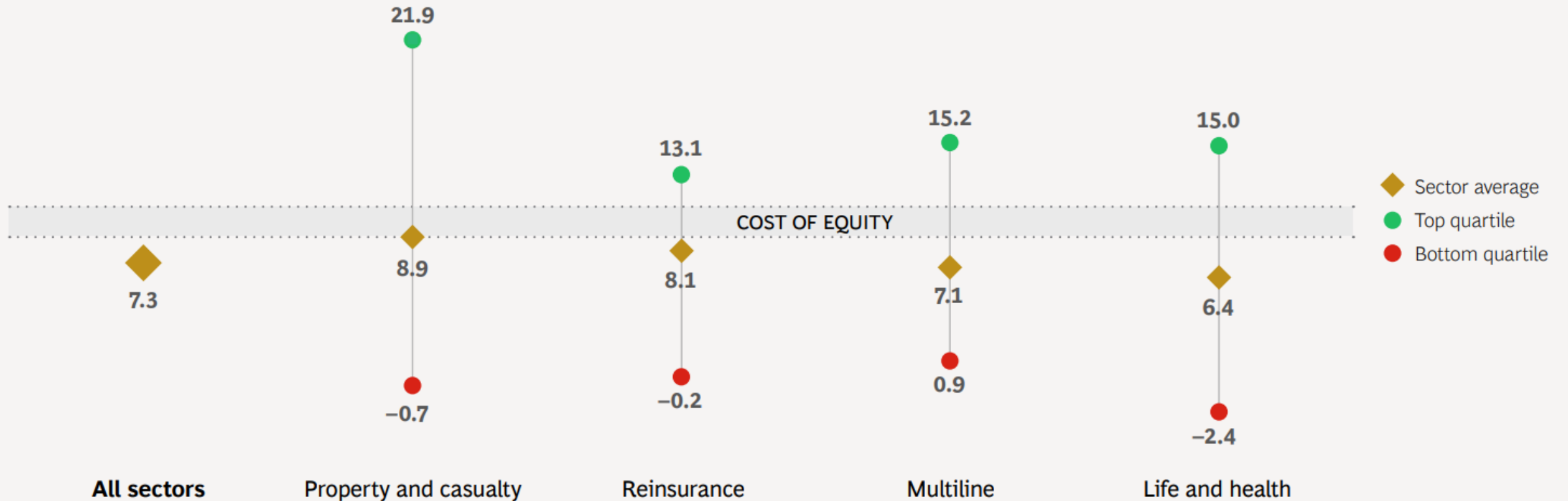- 6% Others
- 14% Margin
- 71% Growth

20 years

1. Total Shareholder Return
Source: BCG Value Science Center, BCG analysis

2

The average for the insurance sector has grown below the equity cost over the last 5 years

AVERAGE ANNUAL TSR, 2017–2021 (%)[1]

Legend:
- ◆ Sector average
- ● Top quartile
- ● Bottom quartile

COST OF EQUITY

All sectors: 7.3

Property and casualty: 21.9 / 8.9 / −0.7

Reinsurance: 13.1 / 8.1 / −0.2

Multiline: 15.2 / 7.1 / 0.9

Life and health: 15.0 / 6.4 / −2.4

Insurance companies will suffer more complex context to boost growth

Customer

Customers are becoming more heteregoneus and demanding, migrating to digital channels and with a relevant percentage of omnichannel journeys

Banks

Banks are increasing their bet in insurance business leveraging the prescription power and deep customer knowledge

New entrants

New competition from new entrants like insurtechs or companies like utilities, telcos, etc., are entering the insurance business to penetrate their large customer base
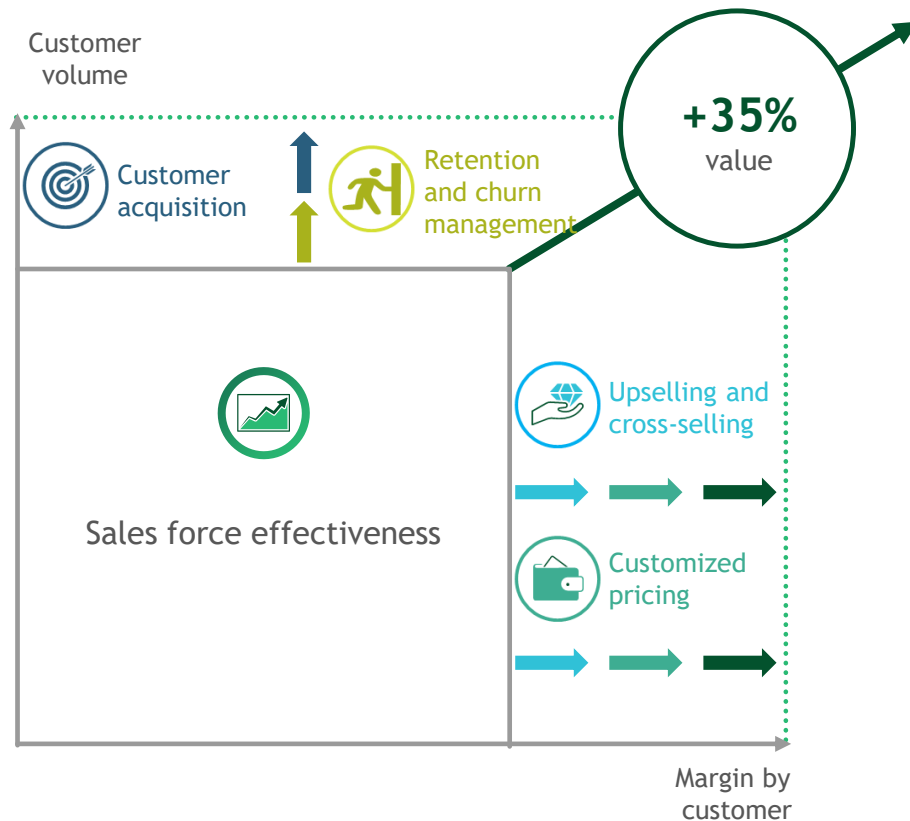
Aggregators

Raise of aggregator channels

Different levels to boost growth in the short-term leveraging AI and tools to customize commercial actions

We address all relevant use cases

Customer volume

Customer acquisition

Retention and churn management

+35% value

Upselling and cross-selling

Customized pricing

Sales force effectiveness

Margin by customer

New client

① Customer acquisition
Prioritize leads based on ML models of **propensity to engage and optimize marketing budget** to maximize conversions

>x1.5 conversion

② Upselling, cross-selling
Identify customers with the highest **propensity** and **launch customized omnichannel actions** to maximize the probability of conversion

x4 conversion rate

③ Retention and churn management
Leverage advanced **churn propensity and channel/product affinity** models to launch **customized and timely retention actions** for the most at-risk churners

~20% reduction of churn

Life cycle mgmt.

Customized pricing
Price the **product portfolio** by **conducting quick experiments in the market and customize** each customer's **renewal price** to **increase margin for price-insensitive customers,** while **protecting price-sensitive customers** with promotions

>15% increase in margins

④ Sales force effectiveness
Apply different **optimization levers, AI and gamification tools** to improve the productivity of the agency and telemarketing channel by customizing improvements

~5% sales increase

Enablers

Marketing campaigns ROI optimization
Use of AI to optimize digital or omnichannel marketing campaigns, understanding their ROI and maximizing the returned value by optimizing different levers

+10-30 ROI

+30%
Digital sales in 6 months

Outbound leads growth

Optimized landing areas

Customers nurtured

BUILD OPERATE TRANSFER
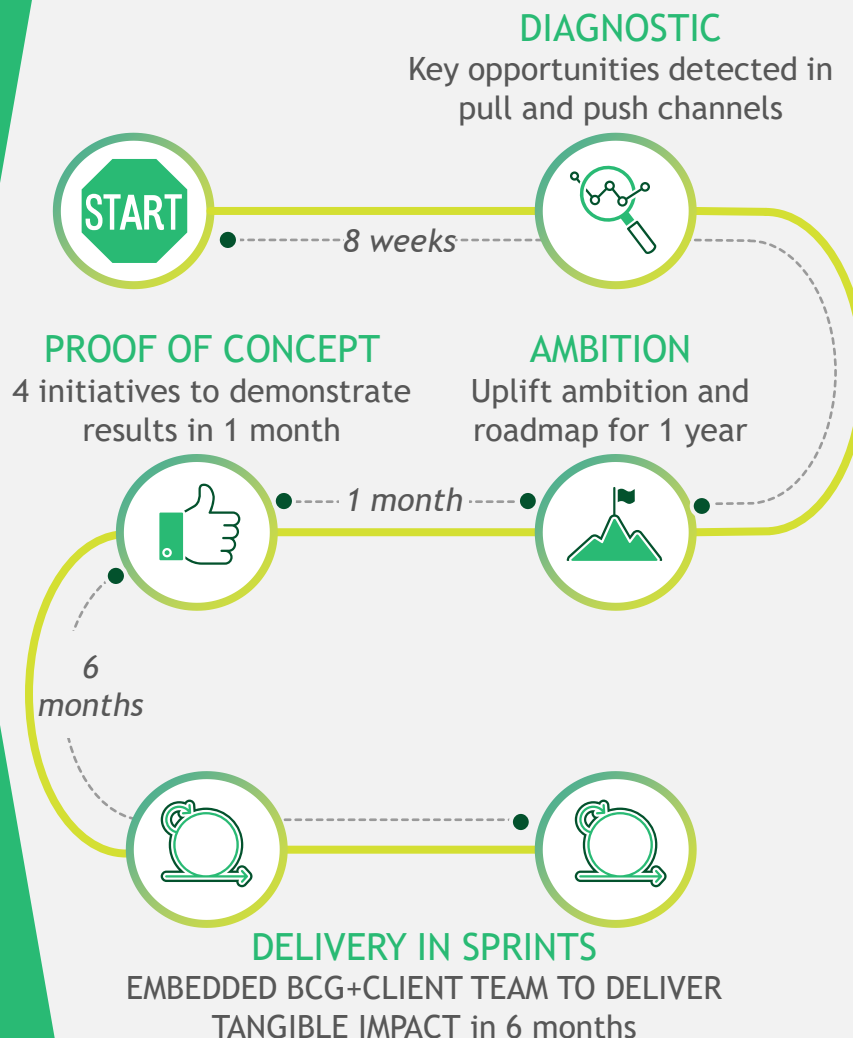
Client team fully enabled

- Engagement sprint cadence
- Performed dedicated working sessions
- Lunch-and-learn programs
- Playbook materials
- Acted as 2nd line of defense

6 MONTHS TO STEP-CHANGE GROWTH AMBITION...

START

DIAGNOSTIC
Key opportunities detected in pull and push channels

8 weeks

PROOF OF CONCEPT
4 initiatives to demonstrate results in 1 month

AMBITION
Uplift ambition and roadmap for 1 year

1 month

6 months

DELIVERY IN SPRINTS
EMBEDDED BCG+CLIENT TEAM TO DELIVER TANGIBLE IMPACT in 6 months

... BY DEPLOYING OUR E2E CAPABILITIES
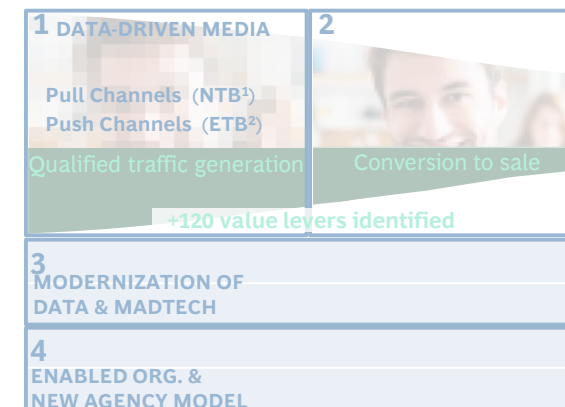
Data-driven media

- Better attribution and tracking
- Campaign manager tools for optimization, automated campaigns & experimentation at scale
- Rules-based models in place for cross-sell, lead prioritization & re-targeting

User Experience optimization

- Personalization of landing pages and UX optimization
- Optimization of conversion funnel

Data & Madtech

- Evolving Madtech stack

1 DATA-DRIVEN MEDIA	2
Pull Channels (NTB[1]) Push Channels (ETB[2])	
Qualified traffic generation	Conversion to sale
+120 value levers identified	
3 MODERNIZATION OF DATA & MADTECH	
4 ENABLED ORG. & NEW AGENCY MODEL	

Our approach transforms the management of customers across their entire life cycle...

We deliver the right performance...

What
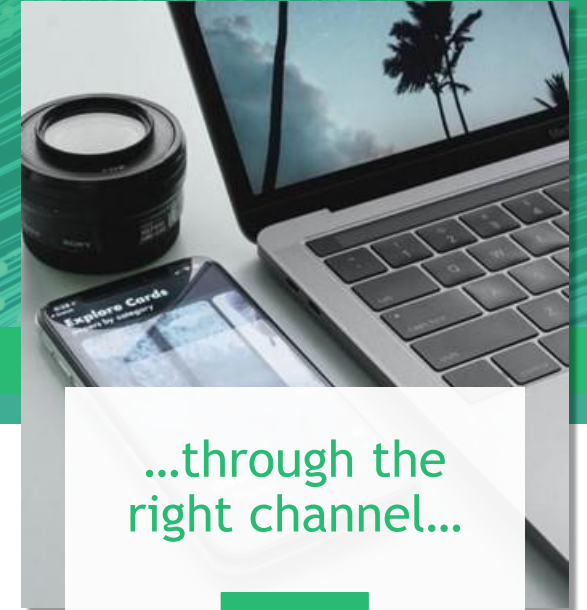
...to the right customers...

Who

...at the right time...

When

...through the right channel...

How

...at the individual level, based on AI and with a continuous and permanent performance approach...

...across the customer life cycle

| Acquisition | Cross-selling | Upselling | Renewal pricing | Servicing | Proactive churn manage-ment | Retention | Winbacks | Collections |

It is necessary to have a tool that integrates the entire sales process to deploy channel intelligence

Analytics and AI inputs for cross-selling

Customer 360°

Value proposition and recommended action

Expected customer value, probability of purchase

Recommendations based on objective data

Gathering of hard and soft feedback based on interaction

Incorporated in a tool that integrates the entire sales process

- Front adapted to agent and contact center needs
- Incorporation of propensity and probability for each customer
- Including all customer history, with traceability and omnichannel vision
- AI-customized action for each customer
- Integration of dynamic scripts for improved interactions
- Immediate feedback collected through the agent to retrain the model
- Notifications and insights for each agent from dynamic data

Average impact achieved

x4
conversion rate

8

Our proven approach based on customization and optimizing value for retention

Use case 3 - Winbacks
Use case 2 - Proactive leakage management
Use case 1 - Reactive leakage management

For inbound and outbound channels

Propensity model

Customization model

Value optimizer model

Purpose of the model

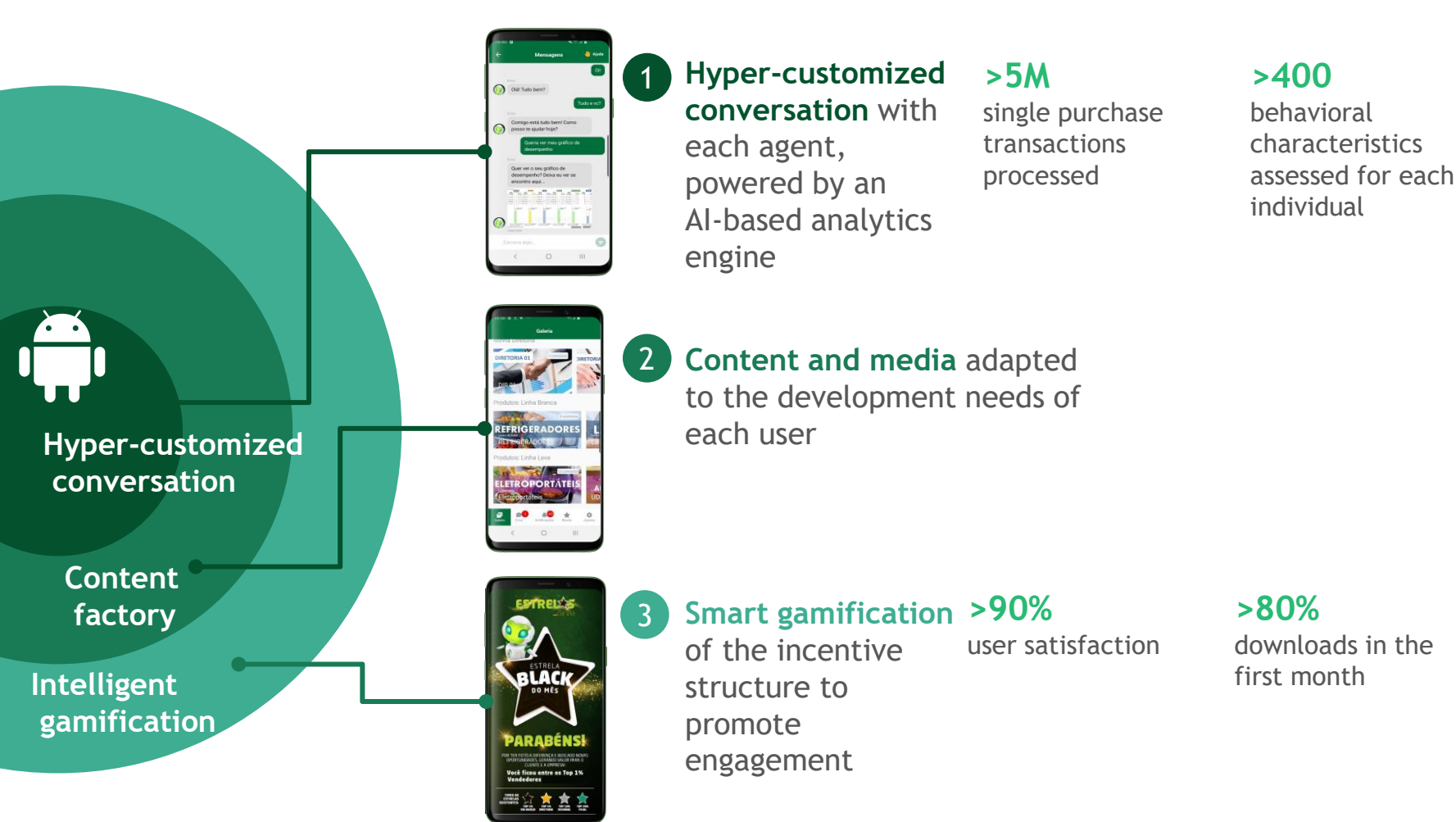Predicting the probability of abandonment for each customer

"Which clients have a higher probability of churn"

Predict for each customer the exact offer and message that will maximize your retention rate

"How to manage each customer"

Arbitration between different actions for each channel/customer

"Who to prioritize calls to based on specific objectives and constraints and what to offer incoming customers"

For each action:
- Cost of the action
- Probability of retaining a customer
- Delta value for each retention

Model granularity

Likelihood of retaining customers (any product)

Probability of retention at product level (industry/modality)

Action/discount

Message

Channel

The next best action per customer is determined according to the formula:
Delta value = p of retention * (delta value - cost of action) - value of doing nothing

Systematic experimentation

- Focus on **market testing** to generate **data** for **training AI models**
- **Systematic and applied scientific experimentation** (from 100% experimentation to 20% experimentation and 80% in actual use)

Average impact achieved

-20%
churn reduction

+15%
value retained

-10%
discounts allocated

iSA[1]: AI-powered "personal coach" combines customization and gamification to improve SFE[2]

Average impact achieved

1 **Hyper-customized conversation** with each agent, powered by an AI-based analytics engine

>5M single purchase transactions processed

>400 behavioral characteristics assessed for each individual

2 **Content and media** adapted to the development needs of each user

3 **Smart gamification** of the incentive structure to promote engagement

>90% user satisfaction

>80% downloads in the first month

Hyper-customized conversation

Content factory

Intelligent gamification

3-7% increase in revenues

3-6% margin increase

>80% of users with regular use

1. Intelligent Sales Assistant 2. Sales force effectiveness
Note: the figures, logo and screenshots are based on the solution implemented in a company in South America

Common problems we find in clients that have started the analytics journey

Lack of a clear AA strategy

> We have millions of small initiatives underway

> We designed a sophisticated model, but we couldn't implement it

> We developed code that cannot be implemented

Scarce and untapped talent

> We've hired a group of "geniuses", but still without impact

> Data & Analytics employees don't talk to each other

> We are hiring talent, but they've gradually quit their jobs

Low impact and perceived value of AA within the organization

> We've accomplished things, but the business doesn't see value

> It took us forever to build the data lake and we aren't leveraging it

> Analytics? A black box

6 key principles for scaling analytics successfully

1 **Remember: 10/20/70**
Don't think of artificial intelligence, but extended intelligence

2 **Create ONE team**
Ensure business sponsorship and avoid silos

3 **Focus on value, not proofs of concept**
Put effort into value potential, not experiments

4 **Generate value fast**
Think big, start small: don't wait for the perfect set-up

5 **Build an AI ecosystem**
Leverage networks to build an "A-team" of talent

6 **Make a decisive commitment**
Invest dedicated time and resources, dare to centralize

The 10/20/70 rule: business transformation is key

10% — **Algorithms**
- Algorithm construction
- Data processing

20% — **Technology**
- Data infrastructure
- Integration of algorithms in core systems

70% — **Business transformation**
- Structuring the problem
- Access to broad quality data
- Modification of business processes
- Product "sponsorship"
- Change in people
- Visualization tools

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