Pricing and marketing insurance in the digital era

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This presentation discusses the need to consider pricing and marketing activities jointly in the future of commercial insurance. Some classical contributions concerning customer loyalty and lifetime value that focus on customer retention are introduced. Reaction to incentives and price changes are then discussed and some empirical results obtained in our research on customer lapse in insurance are presented. The application of uplift modelling is shown. This method can measure the expected impact of marketing actions on the retention probability, cross-selling, and profitability. It is argued that more interaction between retention/targeting strategies and actuarial ratemaking should be encouraged in research and practice, and in this context both data analytics and predictive modelling provide natural tools. Other examples of joint modelling, telematics and risk measurement in insurance are mentioned, showing that the foundations of insurance mathematics could provide the grounds for a new generation of analytical solutions. Traditional one-dimensional problems should generalize to multidimensional settings in order to incorporate additional components. For instance, dynamical pricing should consider attracting/retaining customers and, possibly, evaluating the impact of individual policy holders on solvency. Our proposed techniques provide insurers with a good orientation regarding business risk management.

References

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