



OSG Webinar Series

Part 2: Creating Value Through Differentiated Customer Interventions by CLTV

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Optimal Strategix Group

Your Guides for Today



Supryo Sen

EVP, Global Head of Financial Services Practice

- 20+ years of experience
- Experienced across analytics, strategy, innovation, market research and Product Line P&L leadership
- Prior experience at AIG as Global Consumer Head of Business Analytics; other leadership roles at AIG in Life, Health, Retirement and Asset Management



Giri Iyer

EVP and GM, Head of Analytics Technology Practice

- 25+ years of experience in Advanced Analytics; Healthcare, Energy and Retail
- Prior experience in P&L management, corporate strategy and business development at GE Healthcare and Energy, and IT at Compaq, Philips, and Siemens
- Launched GE into the SaaS market with Smart Grid as a service offering and Internet of Things (IoT) Analytics space

OSG Webinar: Our Focus For Today

Topic: How a global insurance company focused on customer lifetime value and maximized portfolio profitability

1
Behavioral Analytics

Do you know how your customers make choice? How might you improve customer segmentation by combining behavioral and advanced analytics?

2
Risk, Lifetime Value and Interventions

Retain? X-Sell / Up-sell? Or just try to change behavior? How to measure and then triangulate between risk and lifetime value to deliver the right customer interventions at the right time?

3
Data, Analytics and Digital Innovation

Beyond Buzz - Big data, little data, good data, bad data. How do you leverage your data for growth?

4
Path to Execution

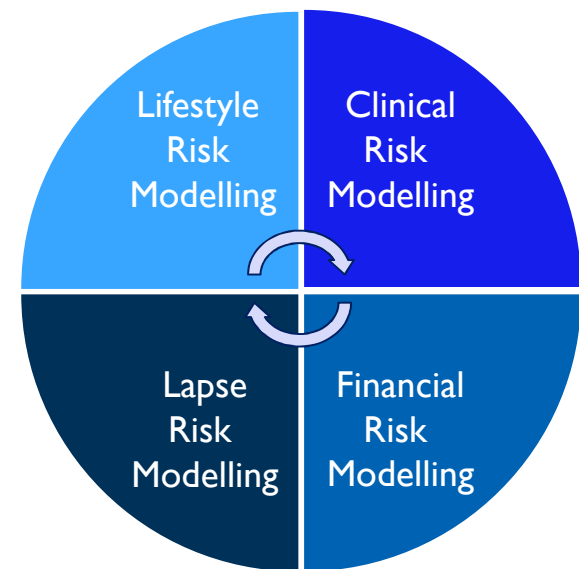
How to launch, operationalize and measure ROI on a transformational growth initiative in 2-Quarters: Connecting risk management, customer engagement and digital innovation

Today's Topics

- 1 **Developing an Integrated Measure for Customer Risk**
- 2 Measuring Customer Lifetime Value
- 3 Delivering the Right Customer Interventions to Maximize Profitability
- 4 Q&A

Key Considerations for Developing An Integrated Customer Risk Score

- What is the lifestyle risk?
- What is the clinical risk?
- What is the financial behavior risk?
- What is the risk of lapse?



Why is Lifestyle Risk Important?

70%

Percentage of diseases and subsequent deaths in the U.S. are lifestyle-based

86%

Accounting for a very high percentage of our nation's health care costs

45%+

Combination of lifestyle with health elements can significantly improve health risk identification

Lifestyle Based Risk Modeling

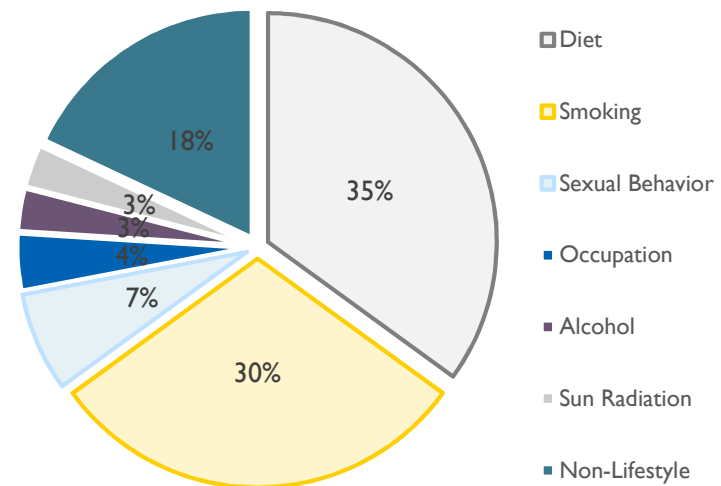
Lifestyle-based prediction switches the method of detection and intervention focus from poorly correlated medical events to highly correlated lifestyle behaviors

Lifestyle-based Diseases and Conditions

Diabetes	Hypertension	Cardio
Stroke	Cancers	Mental Health
Alzheimer's	Osteoporosis	Arthritis

- Lifestyle-based elements indicative of disease risk include:
 - Physical activeness / in-activities
 - Food, drink and alcohol consumption
 - Health fitness, dieting/weight loss, etc.
 - Mental wellness, personal improvement, etc.
 - Tobacco, occupation, travel, vehicle type, etc.

Correlation between Lifestyle and Cancer



Source: American Cancer Society

Correlation between Lifestyle and Heart Attack



Source: 2004 INTERHEART Study

OSG’s Health Risk Assessment Scoring Algorithm©

Scoring Guidelines - Overall

	Fields	Score
i	BMI	
ii	Lifestyle & Behavioural Rating	
iii	Health Conditions / Risk Impact	
iv	Experience LI2Ms	
v	Rx Consumption	
vi	Pain Experience	
vii	Regular Physician Check-up	
viii	Gender	
ix	Age	
	TOTAL	100

Lifestyle and Behavioural Attributes Considered



Physical Activity



Safety



Intellectual Wellness



Nutrition



Emotional Awareness



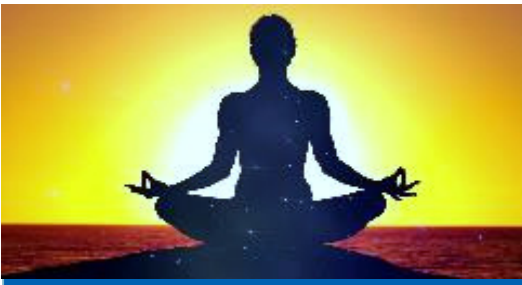
Occupational Wellness



General Health

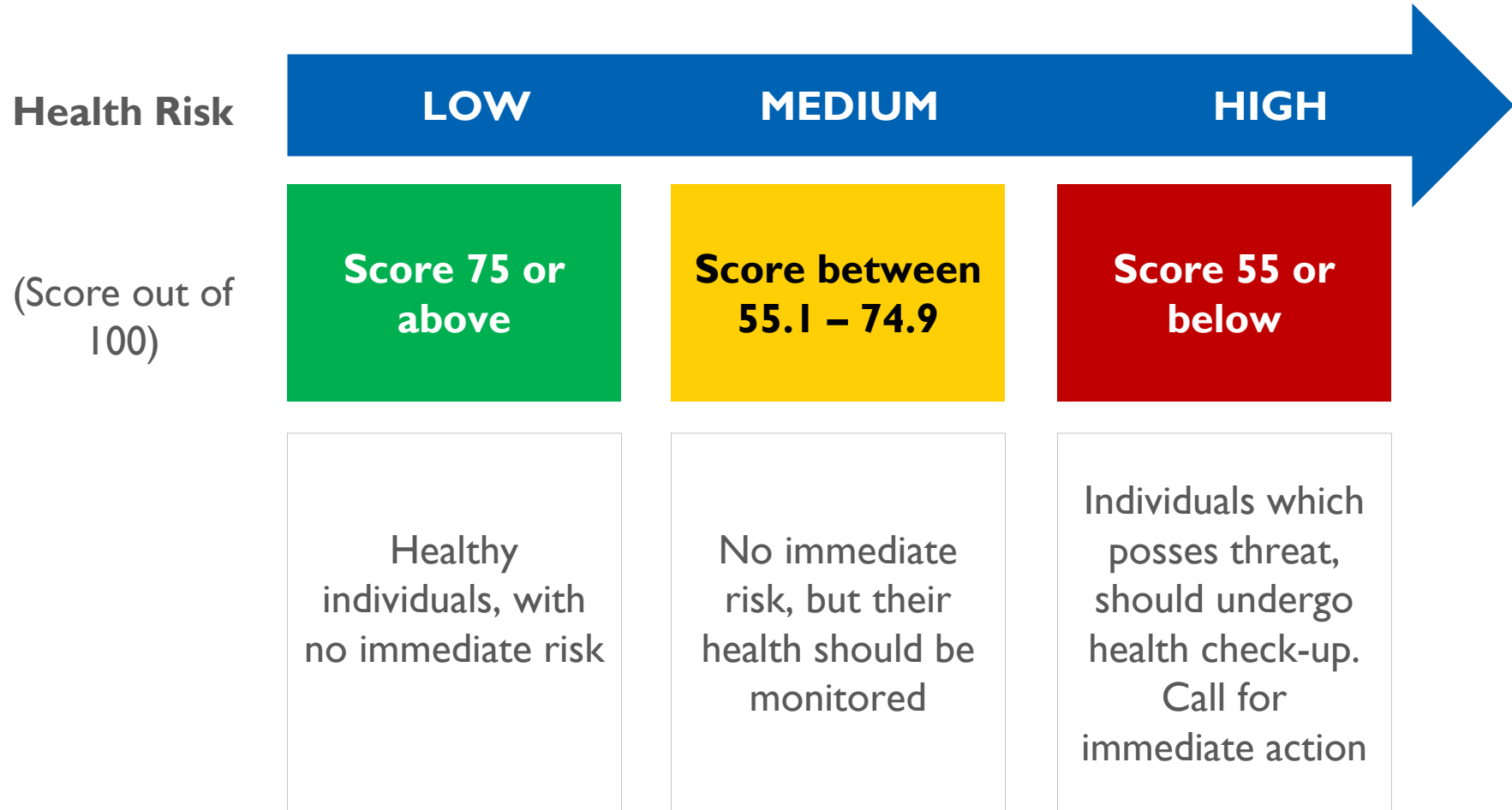


Mental Wellness



Values, Spirituality, and Beliefs

OSG's Life-Style Based Health Score



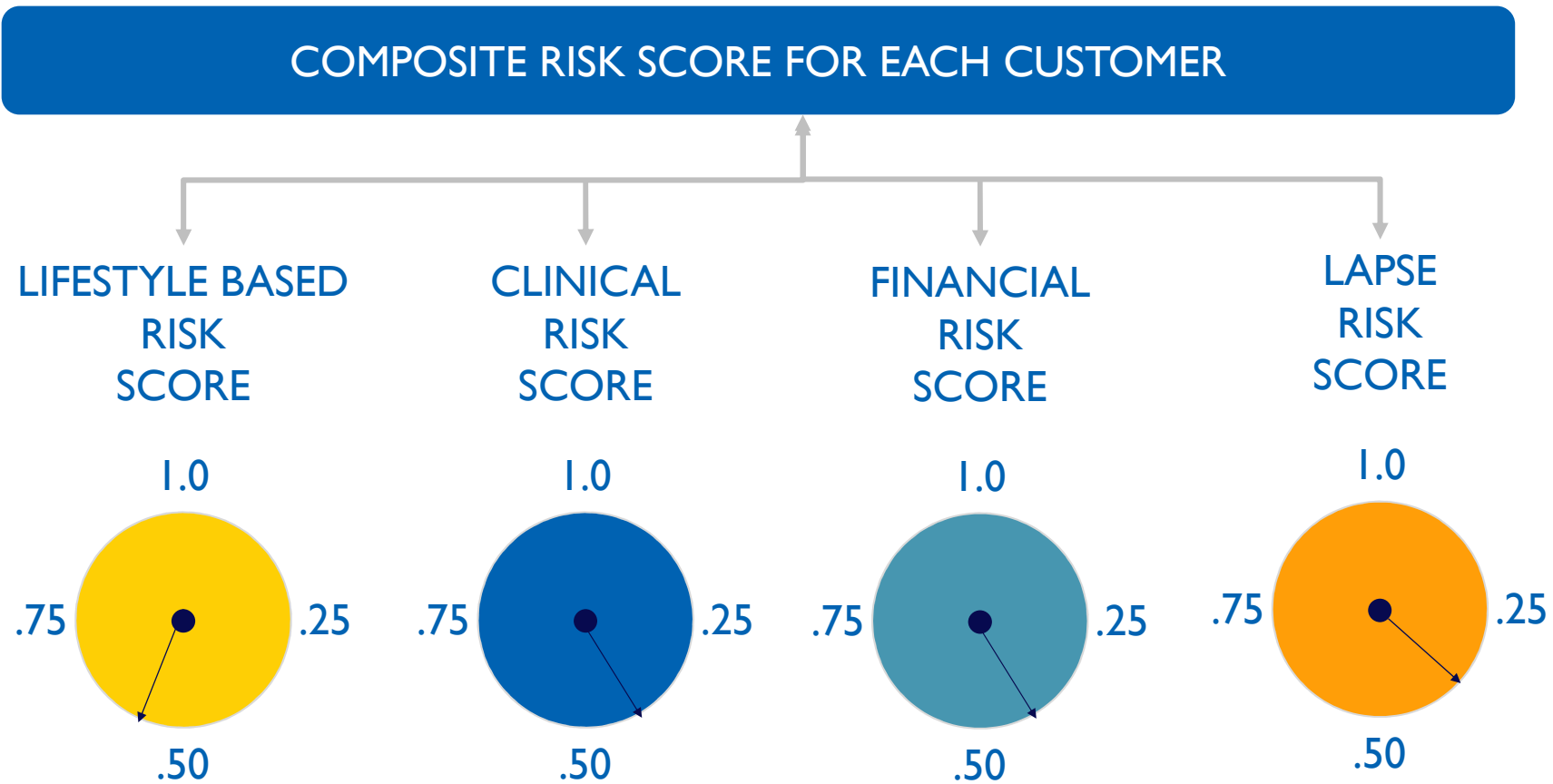
Clinical Risk Modeling

OSG has partnered with and trained an advanced clinical risk model to measure the morbidity burden of member segments



OSG's Approach: Composite Risk Score for Customers

Insights and Data Visualization Combing: Behavior + Clinical + Financial + Lapse



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Developing a Customer Lifetime Value (CLV) for Targeted Growth



Customer Lifetime Value (CLTV) represents the net profit generated by a customer during his or her lifetime association with an organization

$$CLV = \sum_{t=0}^T \frac{(p_t - c_t)r_t}{(1 + i)^t} - AC$$

where

p_t = premium paid by customer at time t

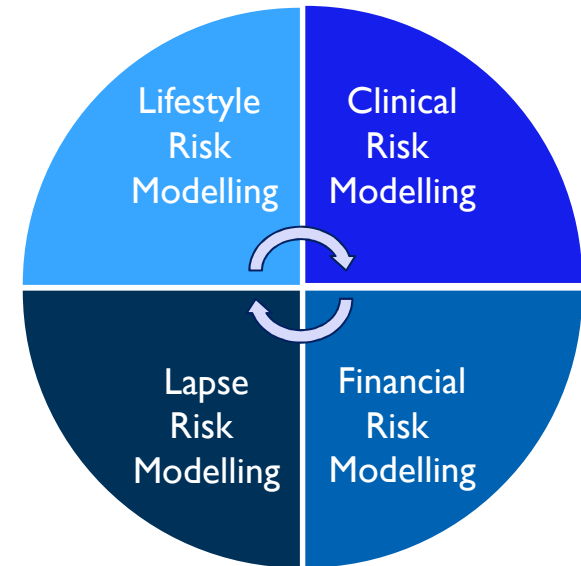
c_t = ongoing cost of servicing the customer at time t

i = discount rate or cost of capital for the firm

r_t = retention rate of customer at time t

AC = acquisition cost

T = time horizon for estimating CLV



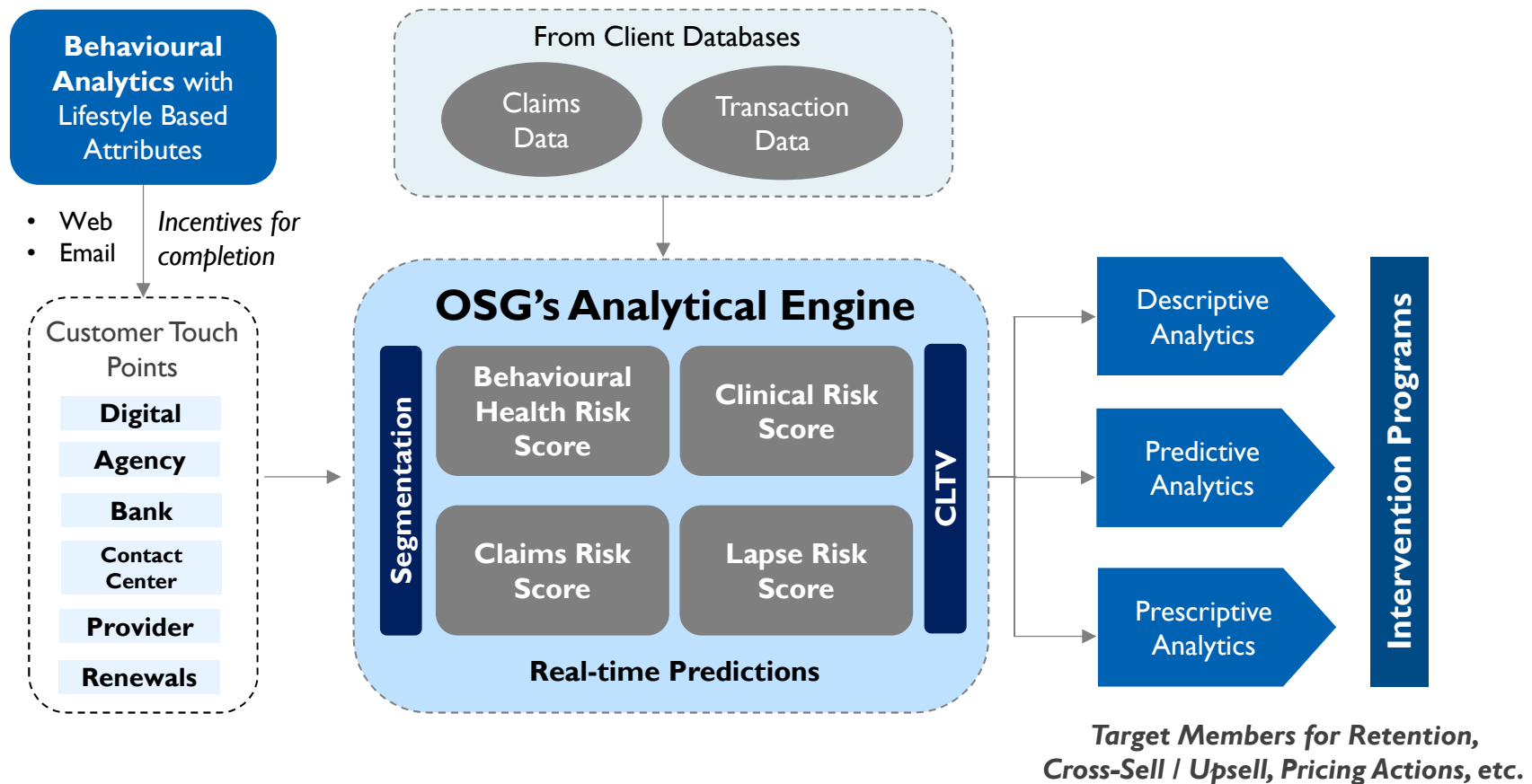
- Understand which customers add value vs. destroy value
- Determine ways to proactively manage customers from acquisition to retention by offering differentiated interventions by different customer segments

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Overview of OSG's Analytical Framework for Customer Risk and Intervention Management

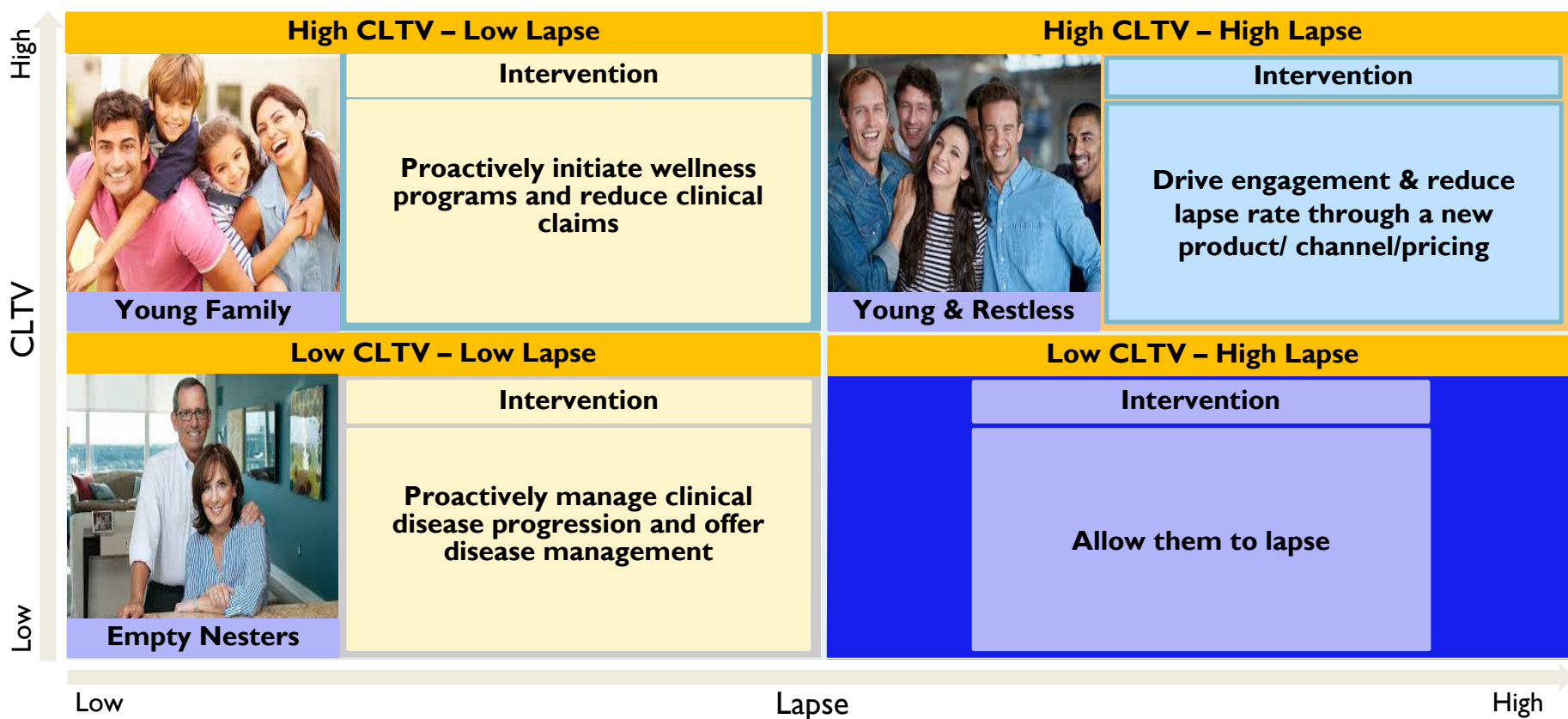
OSG's big data and analytics platform enables clients to proactively manage their customer portfolio through real-time behavioral analytics, data ingestion from multiple sources and predictive and prescriptive analytics for customer engagement and various intervention programs



CLTV Based Intervention Management

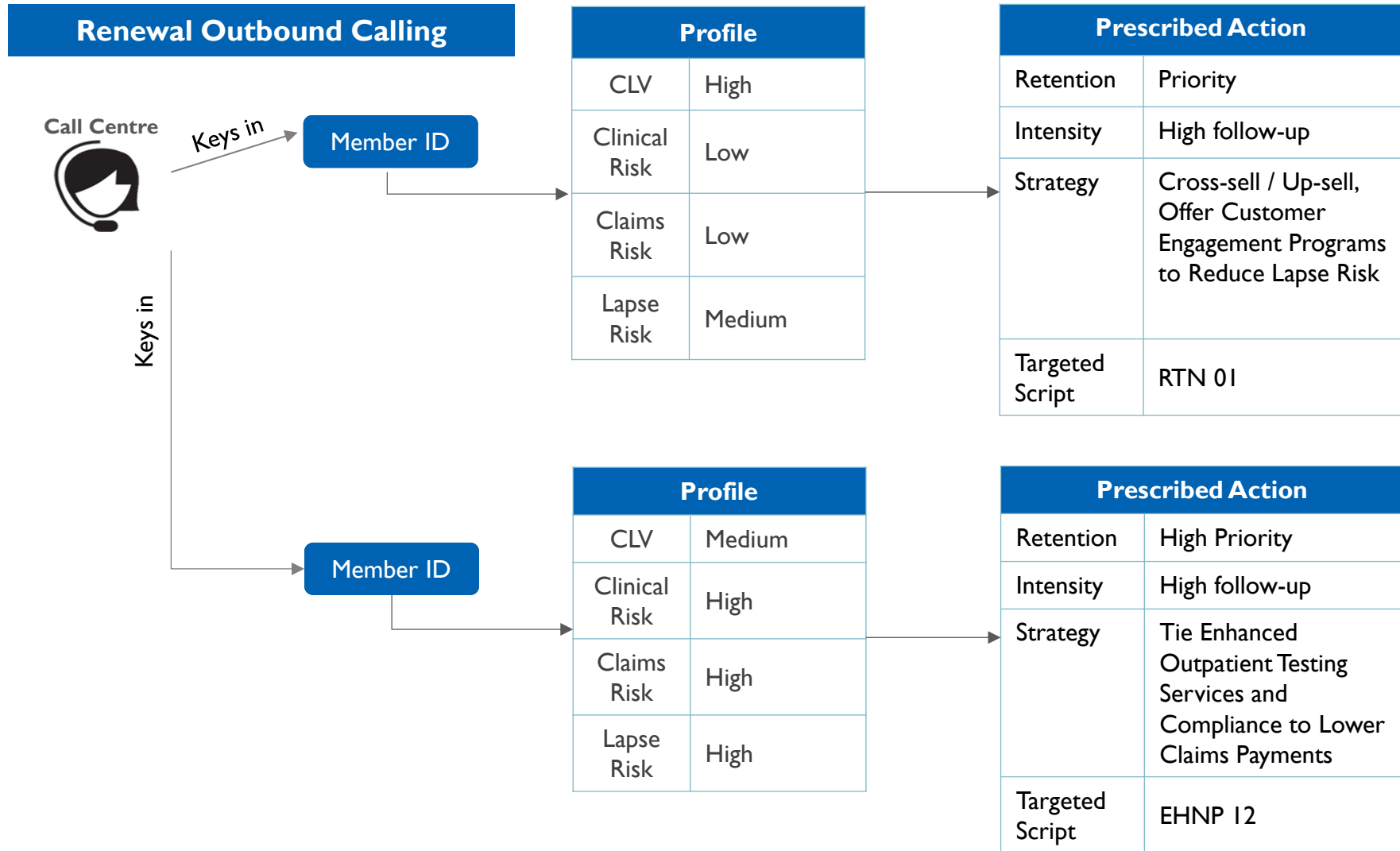
Triangulate between risk and lifetime value to deliver the right customer interventions at the right time, differentiated by various customer segments

Illustrative Example



Application Retention Management

Illustrative Example



Case Study: Customer Segmentation, Risk Analytics and Digital Innovation For a Global Insurance Company

Background

Client, a JV between a major European insurer and a partner in emerging markets:

- Had a Highly Fragmented Data / IT Environment
- Lacked Customer Insights
- Lacked Analytical Tools
- Did Not Know How To Engage Customers

Approach

OSG developed models for customer segmentation, risk modelling and portfolio management, by:

- Deploying a Big Data Analytics Platform
- Conducted Advanced Behavioural and Predictive Analytics
- Recommended Various Customer Interventions
- Launched an Innovative Digital Web / Mobile Platform

Results

With OSG's approach, client was able to enhance customer engagement and profitability through:

- Lapse Reduction
- Health and Clinical Risk Management
- New Product and Pricing Strategies
- X-Sell and Up-Sell Initiatives
- Digital Wellness and Adherence Management Programs

Focus For Our Next Webinar

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