

## Credit check

Identifying valuable customers in the insurance sector, ensuring profitability in the new customer business

### Your challenge


The continuing phase of low interest rates as well as increased regulatory requirements have greatly raised the competitive and yield pressure in the insurance industry. Insurance technology is becoming increasingly important, as is value-oriented customer management. However, as digitalisation progresses and the number of online transactions increases, customer relationships in the industry are becoming more anonymous and important information about the customer is getting lost.

The analysis and targeted use of large amounts of data is increasingly becoming a critical success factor in order to survive in the very tough competitive environment. It is therefore necessary to use technologies such as advanced analytics and artificial intelligence to compensate for this loss of information and to individualise the internal underwriting processes. This is the only way to achieve a risk-adequate segmentation and a focus on lucrative target groups.

### Our solution

The value of a policyholder is largely dependent on his or her individual claims and cancellation behaviour. Both factors correlate strongly with the creditworthiness of an applicant – the lower the credit rating, the higher the risk. By checking the creditworthiness at an early stage, insurers can compensate for the increasing loss of information with the help of external data sources and react with risk-adequate rates and processes in the quotation process. The quality of the creditworthiness data has a decisive influence on the efficiency of the risk assessment. As the market leader for creditworthiness information in the insurance industry, Arvato Financial Solutions enables insurers to forecast future customer behaviour and to focus on attractive customer segments.

### Your advantages

-  Reduction of cancellation and loss ratios
-  Information gain as a basis for risk-adequate pricing
-  Improvement of the combined ratio
-  Avoidance of payment defaults and reduction of dunning quotas
-  Increase in profitability
-  Easy integration into current processes
-  Highest data quality and data protection
-  Industry expertise



## How credit check works

By means of a credit assessment, an applicant is evaluated based on existing information on the previous payment history. The aim is to identify and avoid risky business relationships at an early stage and to react with appropriate tariffs, products and processes.

Arvato Financial Solutions, market leader in the industry and reliable partner of the German insurance companies, offers exclusive access to more than 21 million negative data of more than 7.3 million consumers. The data is updated daily with ca. 30,000 new and change notifications. In addition, the information is supplemented by a highly valid, selective creditworthiness forecast.

### Use of scoring models

In order to determine the creditworthiness of a customer in a differentiated manner, independent from the availability of negative data, further data is used for the evaluation. The score variables are comprised of numerous socio- and microgeographic information on consumers, combined from various data sources. By means of an analytical procedure a score value is calculated. This score is the basis for more selective decisions, which increase the acceptance rate and improve the quality of the portfolio of insured persons.

In addition, scoring models provide valuable data for the optimization of customer value models by forecasting payment, cancellation and claims behavior in a more targeted manner, and statements regarding cross and up-selling potentials can be met. In addition to the use of insurance-specific standard scores, the underwriting process can be further improved by individual score cards. By intelligently combining the insurer's internal data with Arvato Financial Solutions' exclusive data universe, the respective risk profile can be precisely mapped.

### The result

The high quality and availability of this creditworthiness data offers an extraordinary forecasting capability with regard to claims and lapse behaviour and enables the early identification of payment disruptions and thus a reduction in payment defaults. The use of scoring makes it possible to reduce the loss ratio by up to 2.4 percentage points while maintaining or increasing the acceptance ratio.



Do you want to find out more? Contact us!

**Arvato Financial Solutions**

Risk Management Division . Phone +49 7221 5040-1659 . versicherungsteam@arvato.com

[finance.arvato.com](http://finance.arvato.com)

