

How should Discovery reduce policy lapse?



Discovery Insure case study

The challenge: Predict the lapse risk of policy holders

i Lapse is a major threat to the motor insurance business of Discovery. Discovery derives value out of loyal customers and hence it is important to reduce first year lapse

i Quantum has vast experience in dealing with insurance data across geographies. This engagement helped Discovery reduce workload of its internal actuarial team

Approach 1

- ➔ It was decided to predict a 6 monthly lapse so that the operations team had ample time to take measures to retain the customer
- ➔ In addition to the policy data, additional data was pulled from Discovery's loyalty program and credit bureau
- ➔ Generalised Linear Models (GLMs) were used ensuring the results were easy to interpret
- ➔ GLMs were complemented with findings from Gradient Boosted Tree Models to accelerate the process

Findings 2

- ✓ A price sensitive customer is more likely to leave Discovery
- ✓ Risk of lapse decreases as a customer moves up Discovery's loyalty program tiers
- ✓ Customers in higher bands of credit bureau ratings were more likely to lapse
- ✓ Model performed better than the existing credit band based risk assessment

Actions 3

- ✓ Insights helped Discovery implement more informed lapse mitigation strategies
- ✓ Discovery's internal team has adopted and further calibrated the model with the help of new data



For further support contact



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