

The Big Deal About Big Data: What Life Insurers Must Know

March 25, 2015

Big data and predictive analytics, which forecast future outcomes based on past occurrences, allow companies to examine large stores of data and uncover patterns that can be used to gain a competitive advantage. Long-used in the financial services industry by banks, credit card companies, investors, and even property and casualty insurers, big data has only recently gained traction in the life and annuity industry. For life insurers, predictive analytics provide valuable insights into areas such as consumer behavior, life expectancy, and investment risks, and ultimately inform everything from marketing and product development to underwriting and claims assessment. Analytics enable insurers to more accurately acquire and retain customers, predict lapses, and root out fraud. As a result, big data's popularity in the industry has skyrocketed: while very few life insurance companies reported using big data just a few years ago, according to recent reports, 90 percent now use predictive analytics to implement streamlined processes, increase sales, reduce costs, and generally improve their businesses. While big data can provide a competitive edge in the insurance market, it is a double-edged sword, as regulators are also increasingly using such techniques. In laying out its 2015 regulatory priorities, FINRA stated that data mining and predictive analytics are being used to identify risks posed by particular individuals and businesses, with this information then used to make faster and more targeted determinations about examinations and enforcement. Similarly, the SEC announced that 2015 will bring augmented use of big data analytics to identify potential compliance issues and illegal activity. Like FINRA, the SEC will use analytics to examine the activities of registrants and companies and to target its examinations and investigations. Thus, life insurers must be astute as to both sides of the big data coin because big data will only continue to become a bigger deal in the industry.

Related Practices

[Life, Annuity, and Retirement Litigation](#)
[Intellectual Property](#)
[Technology](#)

Related Industries

Life, Annuity, and Retirement Solutions

Technology

©2024 Carlton Fields, P.A. Carlton Fields practices law in California through Carlton Fields, LLP. Carlton Fields publications should not be construed as legal advice on any specific facts or circumstances. The contents are intended for general information and educational purposes only, and should not be relied on as if it were advice about a particular fact situation. The distribution of this publication is not intended to create, and receipt of it does not constitute, an attorney-client relationship with Carlton Fields. This publication may not be quoted or referred to in any other publication or proceeding without the prior written consent of the firm, to be given or withheld at our discretion. To request reprint permission for any of our publications, please use our Contact Us form via the link below. The views set forth herein are the personal views of the author and do not necessarily reflect those of the firm. This site may contain hypertext links to information created and maintained by other entities. Carlton Fields does not control or guarantee the accuracy or completeness of this outside information, nor is the inclusion of a link to be intended as an endorsement of those outside sites.