MEDIA RELEASE

HCF turns to crowd-sourcing in innovative customer retention initiative

Sydney, 12 March 2014 – In a first for Australia's insurance industry, HCF, the largest not-for-profit health insurer, has sought ideas from the world's top data scientists in an innovative crowd-sourcing initiative designed to enhance - HCF's high customer retention rate.

Through US-based Kaggle, the world's largest online community of data scientists, HCF last year invited 300 data specialists to submit ideas for a model that would allow HCF to better predict member behaviour and, particularly, the profile of members most likely to let their policies lapse.

After a strong response from the Kaggle community, HCF has selected three submissions for closer examination and analysis. The teams behind the winning models – comprising scientists located in Brazil, Singapore, Russia, the United States and Hungary - will share in a pool of prize money offered by HCF.

HCF expects the initiative will lead to a workable algorithm that will enhance HCF's customer retention rate - already among the highest in the industry - and deliver richer insight into member behaviour.

HCF Chief Customer Officer , Stephen Nugent , said the Kaggle initiative gave HCF timely and cost-effective access to the best in expert global thinking on consumer predictive behaviour, which would ultimately lead to improved products and services for HCF members.

"As a customer-driven organisation, it's critical that we understand as much as we can about what is important to our members and, in particular, what circumstances might prompt a member to leave HCF. Despite our already high retention rate we are always looking for ways to improve. Through Kaggle we now have access to a number of data management models that are customised to HCF and sharpen our understanding," Mr Nugent said.

"We're looking forward now to examining the winning submissions in more detail before building into HCF's systems a predictive algorithm that allows us, among other things, to tailor our health cover more closely to member needs."

In the Kaggle process, which was facilitated by Deloitte, the identity of HCF was kept hidden from the participating scientists invited to submit ideas. Membership data provided to participants was also de-personalised to protect the privacy of individual members.

Commenting on the initiative, CEO of Kaggle, Anthony Goldbloom, said: "We are very pleased with the results of HCF's 'As the World Churns' competition, facilitated by Deloitte. This was a Kaggle Masters competition, reserved for the top 0.3% of the Kaggle community to gather and test their mettle against each other. Some 46 participants made more than 1800 entries for this challenge, using this large data set to create some very strong models."

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About HCF

HCF is Australia's largest not-for-profit health insurer, currently covering more than 1.5 million Australians. HCF has exceeded the industry growth rate each year for the past five years, consistently pays back more in benefits from earned contributions than the industry average, and the best no-gap medical coverage in every state of Australia. The financial strength of HCF is supported by its strong capital backing, and the lowest management expenses of the major funds. HCF members benefit from an extensive branch network and access to HCF's expanding network of dental and eyecare centres. HCF Life offers innovative add-on insurance protection for illness and accidents. HCF has been awarded the highest possible five-star rating by financial services ratings agency, Canstar Cannex, in its survey of private health insurance. Visit www.hcf.com.au for more information about HCF.

About Kaggle

Kaggle is the world's largest community of data scientists. They compete with each other to solve complex data science problems, and the top competitors get invited to consult on interesting projects from some of the world's biggest companies through Kaggle Connect. Kaggle provides cutting-edge data science results to companies of all sizes. It has a proven track-record of solving real-world problems across a diverse array of industries including life sciences, financial services, energy, information technology, and retail. See: www.kaggle.com/about

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