Solutions for Enabling Lifetime Customer Relationships

Pitney Bowes Software

Connect With Your Customers

Harnessing Data Insights to Revolutionize Customer Acquisition and Retention

WHITE PAPER:

LIFE INSURANCE/ANNUITIES

ABSTRACT

INSURERS NEED INSIGHTS INTO PROSPECTS AND CUSTOMERS TO HELP THEM BETTER DETERMINE THE IDEAL CUSTOMER MIX, TARGET THE RIGHT INDIVIDUALS AND GROUPS, AND DEVELOP PRODUCTS AND ALLOCATE MARKETING RESOURCES TO REACH THOSE AUDIENCES.

THEY MUST IDENTIFY THEIR BEST CUSTOMERS, OPTIMIZE THOSE RELATIONSHIPS, AND OFFER PERSONALIZED SERVICE AND EXCEPTIONAL OVERALL EXPERIENCES.

AND THEY NEED A CUSTOMER-CENTRIC, MULTI-CHANNEL DISTRIBUTION MODEL THAT DELIVERS THOSE EXCEPTIONAL EXPERIENCES THROUGH ITS VERSATILITY, INTEGRATION, AND AGILITY ACROSS ALL TOUCHPOINTS: FACE-TO-FACE, DIGITAL, AND CALL CENTER-BASED.

IN A BUSINESS TRADITIONALLY DRIVEN BY DATA AND DEMOGRAPHICS, INSURERS ARE PUTTING RENEWED EMPHASIS ON INTEGRATING POLICYHOLDER AND PROSPECT DATA, IMPROVING ITS ACCURACY, AND APPLYING SOPHISTICATED PREDICTIVE MODELING TO ENABLE THEM TO:

- GAIN A DEEPER UNDERSTANDING OF CUSTOMERS AND PAST ACTIONS.
- IMPROVE PROSPECTING USING LIFE-EVENT DATA, SOCIAL NETWORK ANALYSIS, AND “BIG DATA” ANALYTICS.
- REDUCE CUSTOMER LAPSE RATES THROUGH OPTIMIZATION OF PAYMENT MODES, PAYMENT FREQUENCY, CONSERVATION TOUCHPOINTS, AND OTHER VARIABLES FOR SPECIFIC SEGMENTS.
- HARNESS AGGREGATED DATA TO OFFER THE RIGHT PRODUCTS AT THE RIGHT TIME FOR EACH CLIENT.
- RESPOND TO INCREASED VOLUME OF UNCLAIMED PROPERTY AND OTHER REGULATORY REQUESTS.
- BETTER DETERMINE PRODUCT DEVELOPMENT AND MARKETING STRATEGIES.
- DELIVER OPTIMIZED, COST-EFFECTIVE CUSTOMER EXPERIENCES ACROSS DIFFERENT DEMOGRAPHIC SEGMENTS.
- USE “BEST NEXT ACTION” DECISION-MAKING TO GUIDE CUSTOMER TRAJECTORIES.
- IMPROVE ACTIVITY RATES, PRODUCTIVITY AND EFFECTIVENESS OF AGENTS, CALL CENTERS AND DISTRIBUTION CHANNELS.

THIS WHITE PAPER EXAMINES EMERGING BEST PRACTICES AND SOLUTIONS THAT ADDRESS TODAY’S CHALLENGES.

IN A TIME OF UPHEAVAL, ACQUIRING, KEEPING AND DELIGHTING CUSTOMERS HAVE NEVER BEEN MORE IMPORTANT.

Customer Acquisition and Retention: Serving Two Different Masters

Life insurance and annuities companies are besieged—seemingly surrounded on every side—by challenges.

Their two fastest-growing markets sit at opposite ends of the demographic spectrum. Aging baby boomers, facing retirement, declining health and end-of-life scenarios—will grow by 25 to 30 percent by the start of the next decade, the U.S. census says. The number of under-35 Millennials (or "Gen Y"), just now entering and establishing themselves in the work force, is expected to increase by 10 percent during the same time.

Not surprisingly, when it comes to financial security, the two segments—in essence, grandparents and their coming-of-age grandchildren—have very different needs.

Seeking to make sure their income, savings or accumulated wealth continues throughout their lifespan and keeps pace with inflation, boomers turn to solutions like combination life insurance, long-term-care insurance, and personalized wealth-management advisory services.

Millennials look to save money, provide for dependents in case of their untimely deaths, and protect themselves from the tumult of the recent financial crisis and recession. Products like term, permanent, universal and variable life insurance, as well as annuities, offer affordability, security and flexibility as their needs change and life milestones —their marriage, having children, providing for college educations—occur.

When it comes to inquiring about or buying financial services, each group's preferred communication channels are almost as divergent. The Internet revolution occurred in mid- to late-career for baby boomers. Their complex financial requirements can compel even the most tech-savvy to eschew self-service and DIY environments in favor of face-to-face, personalized consulting. Meanwhile, for the Millennial generation—raised on the Web, Facebook and the smartphone—doing business online or through social media through mobile devices is almost second nature.

New Products: Constrained by Rates, Risk and Regulations

The Economist newspaper recently wrote, "Finance lacks an 'off' button…The industry has a habit of experimenting ceaselessly as it seeks to build on existing techniques and products to create new ones. Innovations in finance are continually mutating."

Innovation and new product development have become critical differentiators for insurers. This has become especially true due to the fact that the slow recovery from the 2008-09 recession has compelled the Federal Reserve to maintain historically low interest rates—and will do so until at least 2015—thus hampering the performance of variable annuity products and putting a strain on profitability.

The life insurance industry is moving away from guaranteed products and offering alternative investments for diversification. As demand for retirement income continues to increase, both income and indexed annuities are expected to continue to set new sales records. But the changing regulatory environment and the coming implementation of RM-ORSA compel insurers to place an even greater emphasis on risk management.

On the regulatory front, unclaimed property audit requests have increased in volume and complexity, taxing the data quality, master data management and governance capabilities of insurers.

Distribution: Fewer Agents and New Rivals Intensify Competition

Distribution channels are also in flux. The number of independent agents declined by almost 15 percent between 1996 and 2008. Banks and financial advisers have entered the fray, especially targeting top-earning customers as well as boomers approaching retirement. At the other end of the income scale, direct, online insurers have become formidable competitors.

Connect With Your Customers

Harnessing Data Insights to Revolutionize Customer Acquisition and Retention

Insurers want to better deploy their agent networks and optimize their underwriting performance. Because the Internet has revolutionized the purchasing process—and both prospects and customers now rely on a multitude of channels to engage with insurers—companies need a versatile, integrated multi-channel distribution model that offers a differentiated, personalized and satisfactory experience during each interaction.

But existing distribution capabilities for many insurers don't provide this.

Identifying Past Trends and Future Interactions

To offer that exceptional experience, insurers need to consolidate and integrate customer account and interaction information, standardize and cleanse that data, then leverage it via predictive analytics to identify past trends and gain insights about future actions.

This insight helps drive product development and outbound marketing efforts for client acquisition—and it can optimize agent and call center interaction, to retain customers or move them to the desired best next product. Life insurance companies can thus realize higher response rates for outbound campaigns, as well as lowered costs through better analysis.

Data Quality—"The Elephant in the Room"

The foundation for all successful customer-centric initiatives is having the most complete and highest quality data. Yet insurers, like many businesses, struggle with data management problems.

Subpar accuracy and slow data access impedes decision-making in underwriting and insurers are unable to provide the sort of real-time response that customers need.

When users have no confidence in data quality, they understandably lack confidence in the decisions based on that data.

Data siloes keep them from gaining a comprehensive view of customer information and past interactions—a "single version of the truth." This deficit can harm customer acquisition and retention in both strategic and "one-off" ways: consider the risk of losing the entire business of a premier life/annuities customer because the lack of a 360-degree data view and misapplied business rules trigger the automatic cancelation of the policy of a member of that customer's family.

Data integration aggregates customer and family history information and policy and transactional information from within the enterprise—across multiple departments and often from disparate systems, applications, data sources or models—to form a comprehensive customer data view. Data cleansing and transformation correct errors, eliminate redundancies, and help to ensure accuracy of the information to be analyzed.

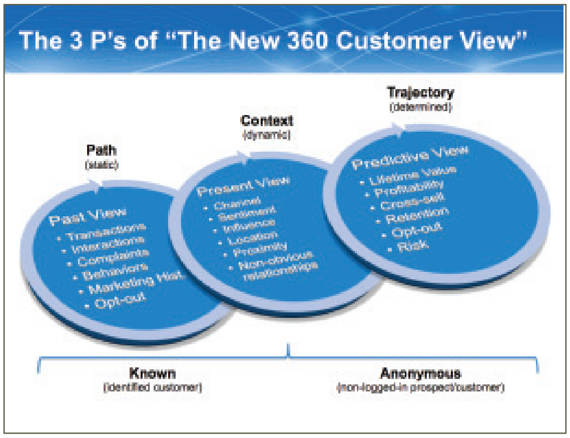
Analytics and a Dynamic "360-Degree" Data View

Putting that customer information to use to enroll and onboard new customers, or optimize relationships with existing ones, requires a new approach and next-generation solutions.

The Big Data challenge isn't simply about the sheer amount of data that has to be mined—although that is massive enough. The dynamics of information management have changed dramatically—in speed, in complexity, variety and "disconnection" (with the explosion of unstructured data)—even as customer expectations of greater accuracy, relevance, value and immediacy have risen. Simultaneously, the definition of a "360-degree view of the customer" has undergone a radical transformation. Decision support now rests on three dimensions of that view.

A 360-DEGREE DATA VIEW IS FUNDAMENTAL TO A SUPERIOR CUSTOMER EXPERIENCE.

The Past View remains static and unchanging. It reflects the customer's path to their present state, all the experiences and events that have affected them to the present moment. The Present View is dynamic and reflects immediacy and context at the moment of interaction of customers, prospects, and customers who may not be logged in. Finally, the Predictive View builds upon the past and present and seeks the "trajectory" of the customer or potential customer.



In the era of Big Data and the "age of the customer", the very definition of the customer view has changed dramatically. The new 360 degree view is defined in the form of the 3 "P's"—the Past View, the Present View and the Predictive View.

Customer Acquisition: Using Predictive Analytics for Target Segmentation

Improving customer acquisition is at the forefront of life insurance companies' growth strategies and "getting closer to customers" is a priority for literally every insurer. Yet, because of current pressures like greater competition and the squeeze on profitability, they need to optimize their marketing, distribution, and product development processes in a time of limited resources.

Today's predictive analytics solutions can help life insurance marketers build brand awareness, develop new products, identify prospects, model how they might behave, create leads, and optimize onboarding encounters with agents and contact centers, to improve acquisition rates by as much as 30 percent.

In customer acquisition, modeling tools leverage information such as age, demographics, location, employment, homeowner status, income level, net worth, number of dependents, and expected retirement age to select both groups and individual candidates to pursue. They can also rank the effectiveness of potential marketing messages and value propositions, and pinpoint the best agents and brokers for prospecting purposes.

These tools can also incorporate psychographic profiles and segmentation, enhancing the ability of systems to matching customers to sales concepts and the ideal producers.

The Power and Insight of Best Next Action

No matter the channel, the process of creating an exceptional experience for a prospect or customer begins at the first moment of engagement. When a customer, or a prospective one, initiates an inbound contact, insurers must wrestle with three "unknowns"—the nature of their problem or need, their preferred touchpoints or communications channel, and their level of urgency. Metrics like acquisition and retention rates, revenues, customer loyalty and satisfaction may depend on the quality of that encounter.

For interactive channels, like call centers or face-to-face agent meetings, high quality data integrated from all customer touchpoints and predictive analytics enable sophisticated "Best Next Action" recommendation capability.

Best Next Action combines data from all customer interactions across channels with analytic models and insurers' unique business rules. It creates an "arbitrated" message or offer that can organically change the workflow and suggest a dialogue or course of action that meets the present need, or even anticipates future needs, of individual customers.

Harnessing Data Insights to Revolutionize Customer Acquisition and Retention

Implementing Best Practices in Customer Retention

In a time of consolidation of life companies, turnover and contraction in independent agents, and eroding customer loyalty, the quality of interactions is critical. Surveys show that more than half of policyholders are willing to switch providers when the time comes to buy the next policy.

The process of customer retention does not begin—or end—at the "moment of truth," when a policy is bought or renewed. It begins at the moment of acquisition. And even though the incumbent insurer has the benefit of years of interactions and transactions, an inferior retention strategy can miss out on value-added, revenue-generating opportunities or risk losing the relationship entirely.

A successful retention strategy rests on three major principles:

- **Not all customers are created equal.** Some will not have a long tenure with their insurer, or any business. Some customers will become more valuable over time—while others will become more costly. Insurers must identify the wheat and the chaff.
- **Not all customers respond to the same offer in the same way.** Retention market segmentation may not be precise enough to truly understand the cares or likely actions of individuals. For some customers, retention-marketing efforts may lead to more attrition.
- **Attrition candidates may be hiding in plain sight.** Long before the "moment of truth," insurers need to understand and prepare for downstream risk.

Uplift Modeling Helps Insurers Understand and Affect Behavior

Strategic retention marketing best practices require that insurers need to know which customers to market to, which ones are liabilities (and should be jettisoned), and which ones to leave alone.

Uplift Analysis predicts how marketing will affect customer behavior—will the customer change for the better, change for the worse, or show no signs of change at all? It helps insurers concentrate their marketing dollars on the cohort that's most likely to respond positively—the "Persuadables."

Persuadables, according to a 2013 report from the Gartner Group, will respond positively only if contacted. So they're the customers whom marketers should target. "Sure Things" and "Lost Causes" won't change behavior based on marketing—and "Sleeping Dogs" react negatively to being targeted or contacted and are best left alone.

SOFTWARE SOLUTIONS SUPPORT INSURERS' NEED TO IDENTIFY, ENROLL AND RETAIN THEIR BEST CUSTOMERS.


Achieving Strategic Retention Marketing Best Practice

Best Practice	Why it's Difficult	Required Technology
Avoid driving away profitable "sleeping dogs"	Churn modeling mistakenly targets sleeping dogs	Uplift Modeling
Target only "savable" customers	Churn modeling can't identify who is savable	Uplift Modeling
Push unprofitable customers to competitors	Requires true 360 view, CLV quantification, understanding of "how" to actually push	Uplift Modeling Data Integration Predictive modeling
Cultivate loyalty by reinforcing existing value	Requires process for automating reinforcement	Lifecycle Orchestration
Capture knowledge of individual customer motivators and preferences	Many orgs lack method to automate solicitation	Preference Management
Acquire customers whom are *most* likely to stay longer	Requires application of customer profile to "unknown" prospects	Predictive Modeling

The best retention strategies focus on understanding your customer, their needs and behaviors and leveraging your marketing efforts to drive the most appropriate message at the right time through the right channel.

Enhanced Distribution and Communication Across Multiple Channels

Consistent, personalized and up-to-date communication across platforms is essential, based on a complete view of data—a "single version of the truth" and a single voice for the insurer.

To provide a superior customer experience, insurers also are deploying multiple-channel distribution, including support of an array of communication and engagement channels: contact centers, email and physical mail, Web portals, social media, mobile devices, self-service telephone, and face to face broker/agent consultations.

Quality Data, Sophisticated Analytics and Multi-Channel Communications

Needing a 360-degree understanding of customers and prospects, insurers are evaluating technology solutions that help them provide a personalized, exceptional experience during interactions. These tools help them develop insights into product development and marketing strategies for identifying and enrolling profitable new customers, and keeping them satisfied over time.

The Pitney Bowes Software Customer Acquisition & Retention Solution for Life Insurers aggregates, integrates and cleanses data across platforms and systems. This holistic view of high quality data becomes the foundation for predictive analytics—letting them:

- Visually explore customer information
- Uncover important data relationships
- Better identify target markets, segments, and new opportunities
- Better predict future customer behaviors
- Refine marketing and distribution strategies
- Improve customer acquisition and retention rates by up to 30 percent.

The Pitney Bowes Software solution helps insurers and their agents identify cross-sell and up-sell opportunities in real time and act upon life-event triggers. It also enables communication across all channels—electronic and physical mail; interactive voice response and contact centers; and web portals, social media and mobile devices.

The company has extensive experience in insurance and financial services. Its team of experts understands the magnitude of the challenges that life insurers face.

We welcome the opportunity to discuss the unique challenges your organization faces, and helping it swiftly realize measurable improvements in customer recruitment, retention and satisfaction.

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Every connection is a new opportunity™

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