

**THE SECRET TO SELLING
AND RENEWING MORE
INSURANCE POLICIES**

TERADATA

EXECUTIVE SUMMARY

With competition for customers at an all-time high, interactions, particularly marketing communications, must be delivered to the right customers at the right moment—and with the right messaging. Consumers are more apt to buy new policies, increase coverage, and renew policies when insurance companies reach out to them with communications, help, and advice that is prompt and relevant.

To get the timing right, three key components are required:

- ~ An integrated data warehouse with a 360-degree view of the customer
- ~ A discovery analytics platform that enables experimentation with structured and multistructured data
- ~ An integrated marketing application that can deliver customized messaging for today's consumers

This paper examines the obstacles that make interactive customer management a challenge for many insurance carriers. It describes how they can create a more customer-centric business by using a sophisticated analytics platform to uncover valuable insights into their business and provides concrete examples of specific areas where insurers gain value. The adoption of a customer-centric approach need not be accomplished all at once. Rather, it can be managed and self-funded by following a roadmap that delivers incremental capabilities and revenue.

REAL-TIME ALERTS AND CUSTOMER SATISFACTION

The old ways of reaching customers are no longer effective. Customers and prospects alike are harder to please and more discerning about their interactions with carriers. They disregard or are even annoyed by communications that are generic, untimely, or irrelevant to their needs.

When this happens, carriers lose out on chances to up-sell or cross-sell products at opportune times and to retain customers who, for example, are dissatisfied with the claims process or are facing premium increases.

Consumers now expect messaging for new products to be relevant to their needs, interests, and past purchases. Many retailers have mastered this process. They're successfully reaching out to customers and suggesting the right products at the right time. But while much of insurance is a retail business—with the same marketing imperatives as other retail businesses—most carriers and their agents are not doing a good job when it comes to proactive customer interactions.

They must deal with daily customer needs. And they can satisfy those needs if their initiatives are customized and well-timed across multiple channels, as shown in the following examples:

- ~ **A prospect abandons an online quote request:** The effective response is an alert triggered in an integrated marketing system that directs a customer-service representative to contact and offer assistance to the prospect within a predetermined period, such as 15 minutes after the quote abandonment. Perhaps there was a Web site issue that prevented the prospect from completing the request. Regardless of the reason for abandonment, there is a higher likelihood of prospect conversion if a company reaches out within the window of opportunity.
- ~ **A homeowner's premium increases:** If there is a premium increase planned for a geographic area that experiences more weather-related losses, for example, carriers should set up an automated trigger in a marketing application that instructs an agent to contact the insured beforehand. This proactive contact can explain the reason for the increase and perhaps offer an evaluation of all current coverages. It can also send an email referring the insured to an FAQ site that explains why premiums in the area are rising. The wrong way of addressing the increase is to hike the premium without any explanation at all—a sure way to lose good customers.
- ~ **A customer is shopping online for cheaper insurance:** One of the biggest challenges insurance providers face is the online comparison shopper. If a customer is thinking about switching to the competition, the current insurer can learn about it via third-party credit-data providers. Any credit check on a current policyholder can trigger the carrier's integrated marketing application to send an instruction to the policyholder's agent. The agent can then contact

the policyholder and offer a review of coverages and premiums. The marketing application can also send an email message to the policyholder offering an incentive or a discount to retain the customer.

- ~ **A claim leads to customer dissatisfaction:** One of the most common causes of customer attrition is claims dissatisfaction. Carriers can avoid this by providing detailed up-front information so the customer understands the claims process and has reasonable expectations. In-house analytics and predictive models for claims satisfaction and attrition probability can trigger an insurer's integrated marketing application to send an alert telling an agent to proactively contact a customer who makes a claim. The agent can set expectations and answer questions. A second alert could trigger an email that points to a microsite that clearly lays out the claim process for the specific type of claim and coverage.
- ~ **A carrier employs usage-based insurance products:** Insurance carriers are increasingly using telematics devices that track miles and time driven, acceleration and braking, and other driving behaviors. These usage-based insurance products create entirely new customer touchpoints for carriers. Telematics devices encourage customers to learn about their driving score and understand how to improve it. They also enable insurers to identify risky driving behavior and provide outbound messaging to the insured to improve it. There is a plethora of marketing opportunities for insurers to increase customer satisfaction, dispel suspicion about telematics devices, and increase customer allegiance. These include Web portals and email that contain custom messaging and real-time messaging via smartphones.

BARRIERS TO SUCCESS

So why is interactive customer management so difficult for the insurance business when other industries excel at it? First, many carriers have been contending with complex legacy systems and applications. Second, insurers have used numerous data silos rather than one comprehensive database with a complete view of customers.

This perfect storm of infrastructure complexity and fractured data has slowed carriers' progress in implementing new customer-centric solutions. But leading carriers have made significant progress toward

a customer-centric business through data warehouse development and the purchase of more sophisticated marketing applications.

BIG DATA AS A FORCE FOR CHANGE

Another driver of change is the arrival of big data. Big data includes new data types and a growing volume of unstructured or semistructured data generated from such sources as insurance telematics, the Web, and social media. Big data is rich in intelligence about customers and their propensity to buy new or additional insurance products.

Big data may also include information already in a carrier's possession that traditionally has been overlooked. Examples include free-form text fields in customer service and claims records, underwriter notes, and physician statements.

Carriers are starting to recognize the valuable insights that can be derived from these new data types. They're leaving the old model—analysts that experiment with only structured data—and starting to appreciate the possibilities of big data and a sophisticated data discovery platform that can quickly provide the answers and insights they need.

WAYS TO CREATE A CUSTOMER-CENTRIC BUSINESS

Nationwide Insurance started with a goal: to improve its retention rate of auto customers, especially those facing a premium increase. It also wanted to enhance cross-selling and retention opportunities by reviewing customers' changing insurance needs.

But reaching out to millions of customers at once is a daunting task. Nationwide needed a way to prioritize its efforts and determine which customers would be most receptive. It was able to use advanced analytics to identify customers more likely to renew when approached directly. It then scored them according to likely acceptance. The results were startling. The company earned \$276 million in the first nine months through improved retention, with some agents reporting nearly 100 percent retention of targeted customers. Cross-sell rates also improved dramatically, with Nationwide generating an additional \$173 million in premiums in the program's first year.

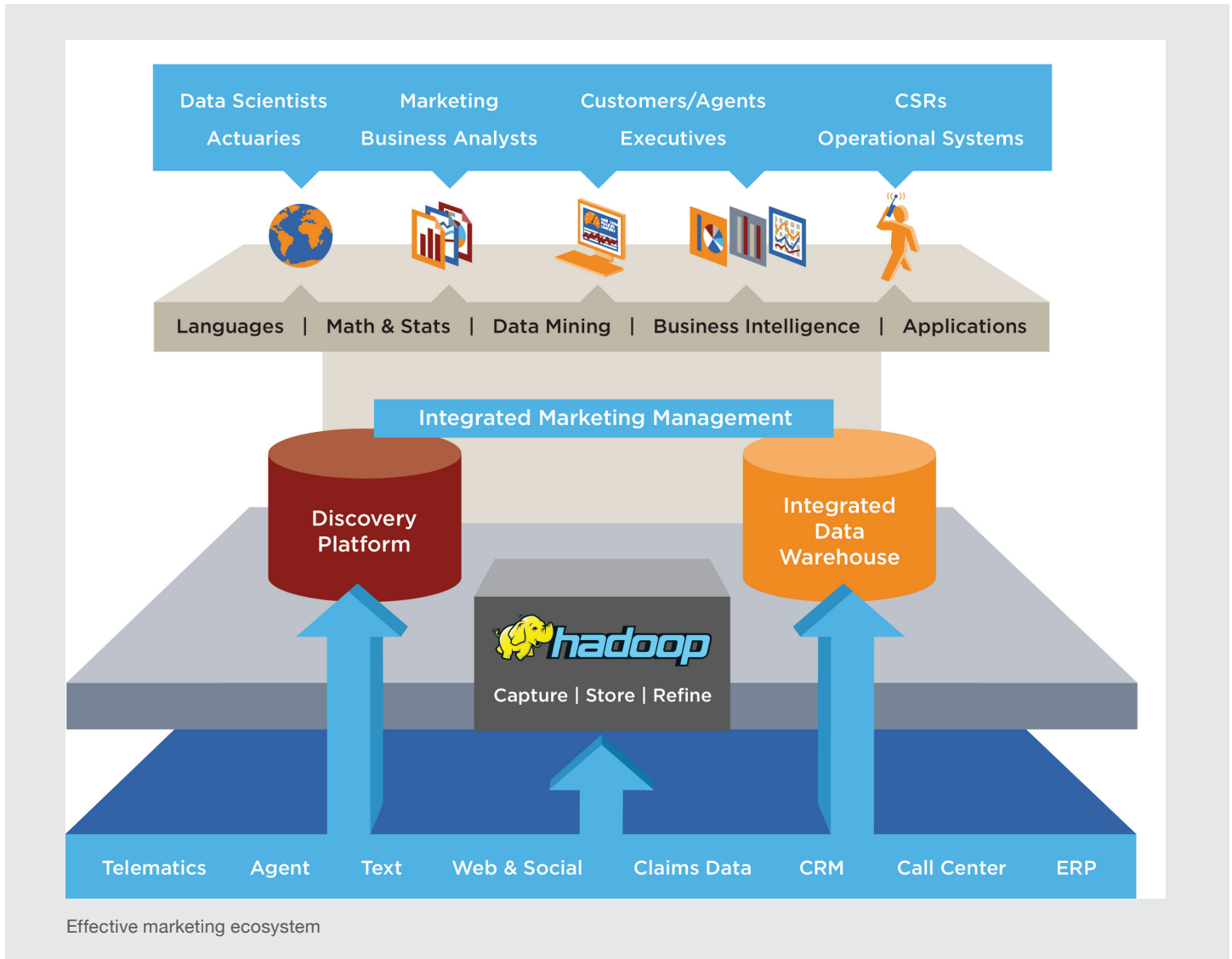
To create a customer-centric business like Nationwide, insurance providers need to take the following steps in their marketing programs.

Tear down the silos

Providers must create a complete view of customers that's accurate and consistent across the enterprise. Disparate systems hamper analysis and thwart action, impeding the opportunity to turn information into breakthrough business insights about customers and drive revenue.

The benefits of one comprehensive database include the following:

- Consistent customer experience and messaging that reduces conflicts, increases satisfaction, and boosts retention
- More up-sell and cross-sell opportunities through consistent messaging across all channels and lines of business



Gain deep understanding of customer behavior

Insights into customer and agent behavior support product development, sales and distribution management, and underwriting and actuarial decision making.

The benefits include the following:

- ~ Measured and appropriate customer contacts based on customer preferences
- ~ Right-time response to customer needs and transactions, with a reduction in policy cancellations and an increase in new selling opportunities
- ~ Increased retention, which is less expensive than new-customer acquisition
- ~ Fewer lost opportunities

Create a channel for everyone

Carriers can identify the most effective sales and service channels for each customer and segment. Customers have strong preferences, and insurance companies can leverage them to increase sales and improve customer satisfaction. This strategy only works if there is a consistent message across the various channels. Giving customers conflicting information can make them feel misunderstood.

The key is technology that can integrate all digital marketing efforts with existing customer data and channels to power advanced marketing analytics. This drives the ability to proactively reach out to customers in the right channel with the right message based on customer transactions. Ultimately, it optimizes marketing spend and drives better return on investment (ROI).

The benefits of a customer-centric channel approach include the following:

- ~ Fewer inefficiencies and lost opportunities that are inherent in multichannel organizations
- ~ Custom marketing based on customer transactions within preferred channels

Know when to make contact

Carriers can determine the right time to initiate an outbound contact via a preferred channel (e.g., agent, direct) by understanding the events that cause policy cancellation, nonrenewal, or dissatisfaction. Responding effectively requires a model that's accurate and finely tuned to recommend the right mix of when, what, and how.

The benefits are numerous, including the following:

- ~ Fewer cases of policy cancellation and nonrenewal because customer issues can be defused and customer understanding of claims, service, and premium events and circumstances can be enhanced
- ~ Better likelihood of reviving abandoned quotes and turning them into new customers
- ~ Reduced marketing costs by avoiding ineffective and untimely customer contacts
- ~ Increased competitive advantage by getting the right message to the customer the first time
- ~ Better service, both real and perceived
- ~ Increased prospect conversion based on right-time contacts

MEASURING AND ITERATION

Measuring the success of marketing efforts goes hand in hand with iterating to make improvements. This may seem obvious, but marketers often mishandle measurement. Measurement must be constant and tightly integrated with marketing activities. Campaign results must be examined and tracked by agent, individual customer, and customer market segment.

The issue that trips marketers up is the methodology and consistency of the measurements. An important enabler for measurement is integrated functionality within a marketing application. Without tight integration of measurement with marketing activities, measurements can be dubious at best, impacting decisions about what iterative changes need to be made to improve on future marketing results.

THE RIGHT TECHNOLOGY FOR AN EFFECTIVE MARKETING ECOSYSTEM

Today, the technology exists to enable insurance carriers to successfully execute a customer-centric program powered by right-time, trigger-based customer contacts. This technology allows carriers to implement a marketing ecosystem that includes a data warehouse for structured customer data, a discovery platform for big datasets, and an integrated marketing platform with inbound/outbound capability.

Integrated data warehouse

An integrated enterprise data warehouse analyzes volumes of increasingly complex data to create a 360-degree view of the customer and drive a consistent experience across all channels.

A data warehouse should have the ability to handle

- ~ Large volumes of data from customers, claims, agents, and other channels
- ~ Numerous queries and rapid response to real-time/right-time customer events
- ~ Integration of operational data from across the marketing value chain
- ~ Large numbers of concurrent users across the enterprise
- ~ Real-time/right-time data exploitation/events, through active feeds of operational data, and response to customer transactions

A comprehensive data warehouse that contains up-to-date and complete customer records across the enterprise provides the following business benefits:

- ~ Operationalizes business rules, such as how/when to respond to events (customer transactions, rate increases, claims, etc.), to maximize customer value
- ~ Allows agents and customer-service representatives to serve customers with better, more timely, and consistent data
- ~ Creates one version of the truth for better decision-making across the organization
- ~ Reduces infrastructure and associated costs because there is one system with customer information rather than multiple databases and data marts
- ~ Creates real-time visibility into customer events and added intelligence across channels
- ~ Increases channel productivity

Discovery analytics platform

A discovery analytics platform extends the analytical power of an enterprise data warehouse to the rapidly accumulating multistructured world of data, such as Web sites, sensor networks, and social media traffic.

The analytics platform is used to analyze customer interactions and extract new insights to improve customer satisfaction. It also aids in the discovery of critical decision points when customers take action on policy renewal. And it enhances up-sell and cross-sell opportunities. Further, it enables greater customer insight with new data types.

There are many benefits to having an analytics platform connected to a data warehouse:

- ~ Tests theories about customer propensity to buy or leave before a business process is changed and before new types of data are loaded into the data warehouse
- ~ Incorporates new big data types such as telematics or Web logs that enhance customer knowledge
- ~ Quickly performs queries across large datasets using new technologies such as the open source data platform Apache™ Hadoop®
- ~ Leverages structured and multistructured data
- ~ Speeds the decision process about how and when to reach out to customers

Integrated marketing application

The final piece in this marketing ecosystem is an integrated marketing application that provides the full suite of marketing functions. The application includes functionality for lead management and inbound/outbound campaign management and generates messaging in response to real-time and right-time customer events.

This marketing application provides the following benefits:

- ~ Executes hundreds of campaigns simultaneously, functions in real-time, and executes outbound customer-contact actions directly or through agents and customer-service representatives
- ~ Utilizes the complete view of customers that's stored in the data warehouse (real time also extends to data in operational systems) and the discovery analytics platform
- ~ Uses associated predictive models and business rules within marketing

CONCLUSION

Customers today are particular. They have personal likes and dislikes about how they're marketed to. New technologies are enabling companies to discern those preferences and accommodate them. And the time is right for insurance carriers to join this trend. A marketing ecosystem that includes data warehousing, discovery analytics, and an integrated marketing application can

help businesses uncover new and powerful insights to satisfy customers, reduce costs, and boost revenue.

To learn more about how Teradata can help your insurance company leverage a sophisticated analytics platform to create a more customer-centric business and uncover valuable insights, visit www.teradata.com/industry-expertise/insurance/.

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