Easing the Churn in Property and Casualty
By Steve Phillips, COO of XSell

In property and casualty, we never really get to know the policyholder all that well. After all, you really can't learn too much about a person in six months. As Tom Cruise's character in "A Few Good Men" would say, "It's a hockey season."

Today's technology delivers the ability to change insurers quickly and more painlessly than ever before. And why should a policyholder hang around? The democratization of information has made insurance a commodity, and online quoting and comparison are all too common. In fact, only a naïve consumer would consider staying with a provider for more than six months without looking for a cheaper price on the same policy. Anyone who has been in this business for more than a hockey season knows they will find one. As a result, churn has just become part of doing business.

So, how can we increase the length of our customer relationships?

The answer is simple: sell more products to existing customers. However, cross-selling in practice is much more complicated than in theory. In fact, it's the white elephant of any service industry. Add in inadequate call center systems, unstructured data and one-off marketing efforts and you can find yourself further away from improving your churn rates than when you started.

Organizations looking to make more than a casual acquaintance of their policyholders must learn to more effectively utilize data, better coordinate offers across the enterprise and develop a mindset that is always focused on cross-selling.

Improving the data stream
Regardless of size or scope, anyone in the business of selling insurance needs data. Unfortunately, millions of dollars are ill-spent each year on list brokers, money that could have otherwise been put to better use. The end result is often one-off direct marketing campaigns to non-customers that in the end only yield about a half a percent return.

As an alternative, classes of forward thinking instituitions are beginning to invest their resources in data that provides a better picture of existing customers, and are in the end seeing a much higher return. For example, the right demographic data can tell you a lot about existing customers in a given area. While no two policyholders are exactly alike, two policyholders living in the same neighborhood are likely to have the same insurance needs. Having access to this information enables an insurer to present offers that an existing or potential customer is more likely to need.

An active program for compiling public and non-public data on existing customers will lead to better prioritization of offers. Better prioritization of offers will lead to more sales. In fact, According to Boston-based Yankee Group, such targeted offers are six times more effective.

Further, it will also greatly improve customer relationships. It is common knowledge that customers holding more than one product from the same institution are exponentially more likely to remain with that institution. Insurers that are able to scale this strategy can consistently achieve meaningful organic growth.

The purpose of data is to better identify the people we want to sell to. However, if we already know whom we want to sell to (our policyholders), we can maximize resources where they will provide the best return: identifying the real needs of our customers.

Develop a cross-sell focused mindset

The historical sales model in the insurance industry of direct mail, cold call, advertise, direct mail, cold call is no longer effective for a variety of reasons - including millions of Americans registered on the Do Not Call List and continued bombardment of consumers with unfocused junk mail. Even though institutions are able to skirt anti-solicitation regulations when contacting their own customers, cross-selling is no more effective through traditional unfocused direct mail methods than it is in the initial sale.

There are, however, times when customers want or need to interact with their insurance company. Whether they are looking for information about billing, claims or product suitability, policyholders periodically have the need to call, e-mail or visit the company Web site for information. Thought leaders are seeing that this is where the real sales opportunities lie.

Yet, many organizations still fail to take advantage of these golden opportunities where the policyholder initiates contact. Studies show that this is the time when they are most willing to listen to new product offers. *Institutions must develop a cross-sell focused mindset,* where every interaction – solicited or unsolicited – becomes a true sales opportunity.

For example, an auto policyholder contacts the institution for clarification on coverage. Upon calling, a search of proprietary and public data identifies that the policyholder recently opened a mortgage loan on a new home. At this point, the institution could then create an offer for a homeowners policy, factoring in a discount for existing customers.

Next, a sales script is automatically generated for the CSR. Upon answering the policyholder's question, the CSR presents the homeowners an offer directly from the script. If the customer shows interest, he or she is then transferred to an insurance agent to close the deal.

The example above could take place in nearly any customer service environment. Web, interactive voice response (IVR) and monthly statement are just a few of the underutilized sales avenues where the customer actually *chooses* to interact with the institution in some way.

Improving coordination

Perhaps worse than failing to take advantage of sales opportunities, is attempting to sell the same product to the same customer over and over again. Customers of insurance carriers are all too familiar with repetitive offers through mail and e-mail for products they either are not interested in or have already purchased from the same institution. The result is frustration. This is often exacerbated by CSRs who fish for the most appropriate product offers at the end of a service call.

The technology exists today for an institution to coordinate all of its product offers among all of its sales channels, including customer service channels. Eliminating repetitive offers saves resources and helps an institution to determine what products a policyholder wants. Further, it will add a "personal touch" that many insurers sorely lack and improve the overall customer relationship.

Moving forward

The high churn rates in property and casualty are not likely to go away completely. Price focused customers will always be looking for a better deal on what they view as an undistinguishable insurance product. Further, they will almost always find someone willing to offer the product at a lower price.

However, those same customers can also be sold the value of discounts on multiple policies, as well as the ease of doing business with one institution for all of their insurance needs. Eventually, they will find that looking for a provider to replace two products is more trouble than replacing one, and become less likely to change institutions on a whim. Over time, they will need more products, for which they will be more likely to turn to their existing provider. The only way to effectively slow churn is for institutions to form long-term partnerships with their policyholders. This requires knowing your clients and anticipating their needs.

By better leveraging data to create better, prioritized offers, developing a mindset that is always focused on cross-selling, and improving coordination of offers across the enterprise, institutions will sell more products to existing customers. The improved relationships and increased customer loyalty will keep customers around for much more than a hockey season.

(Steve Phillips is COO of XSell, a Jacksonville, Fla.-based provider of Web-based on-demand Customer Interaction Marketing™ solutions)