The use of data and analytics to successfully navigate the changing face of customer acquisition in the P&C industry

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Agenda

- In the past…

- Shifting demands and expectations

- What consumers want now

- Use of external data assets

- Combined with analytics

- Results

In the past…

Prior generations

- Insurance was a luxury of the wealthy.
  - It provided a means to manage wealth and security.
  - Agent was a trusted advisor or family member
  - Insurance permeated all aspects of life.
    - Life Insurance (children too)
    - Auto/home insurance
    - Health insurance
    - Annuity products (retirement)

- Consumer was knowledgeable and articulate.

- For the wealthy, insurance was a part of the family's security plan.

Generational changes

Began with the "baby boomers" and the use of the Internet to buy stocks and bonds
- Lessened reliance on others to manage wealth and security
- Inclination to take on more risk

Insurance viewed as a mandated compliance-type product; no longer just for those of means

Changing consumer behavior and expectations
- Expectation of immediate gratification
- Resentment of current perceived "bait and switch" tactics

Role of the agent changed
- Seldom is the agent a friend or trusted partner
- Agent is viewed as a conduit/filter to the carrier
- Balancing a complex, competitive, highly regulated environment with the consumer's financial limitations

Generational transition

|	Generation Moniker	Birth Years	Census (millions)	Percentage Total	
Digital Immigrants	Greatest Generation	Pre 1926	3.5	1.1	
	Silent Generation	1926-1944	29.1	9.2	
	Baby Boomer	1945-1964	78.5	24.8	*1
	Generation X	1965-1976	49.2	15.6	*1 *2
Digital Natives	Millennial	1977-1995	82.3	26.0	*2
	Generation Z	Post 1995	73.6	23.3	*3
Total			316.1	100	

1. Internet savvy. Prefers human interaction while purchasing goods and services. Understands and values the premise of Insurance.

2. Internet savvy. Personal devices have "come of age" during their life span. Uses the Internet extensively including social media. Views the acquisition of goods and services (including Insurance) as a commodity. Values personal time above all else. Is often disinterested when it comes to "nuisance details."

3. Raised with "smart" devices. Prefers purchasing via the Internet. Expects ease of acquisition. Demands accuracy and immediate gratification.

Source: census.gov

Generational transition
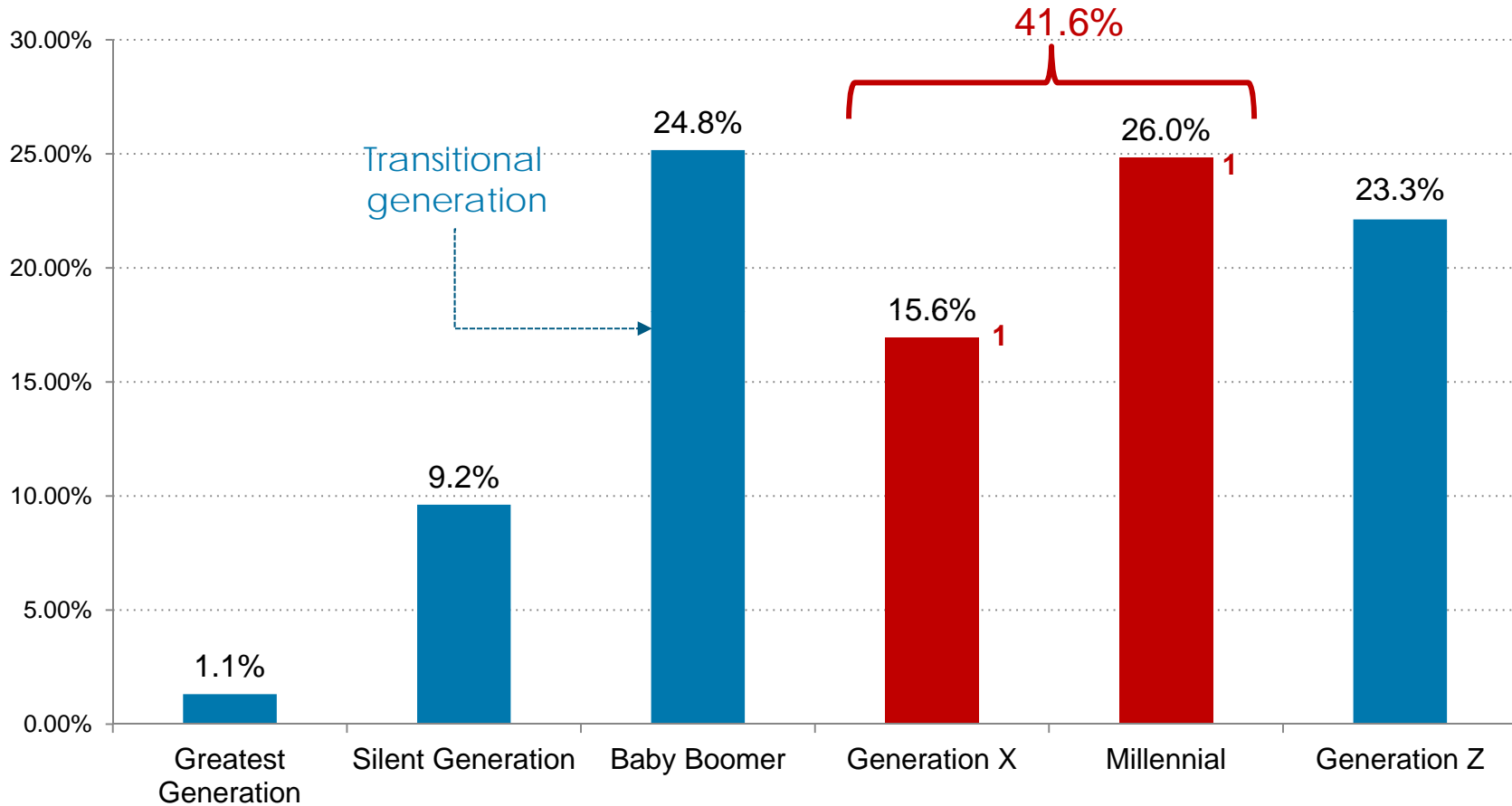
[1] 41.6% of population expect to acquire ALL goods and services via "convenient" devices in their own time frame. The Millennial generation is rapidly becoming the largest population demographic. As Generation Z matures, the percentage of the population that expects immediacy will continue to grow.

Changing customer expectations

- Old paradigm: Business at the carrier's pace
  - Come to the agent for your quote
  - Wait for the adjuster on your claim

- New paradigm: Customers expect near-immediate responses in all aspects of insurance transactions
  - Examples include:
    - 24x7 call centers for quotes and service
    - Immediate response groups and reporting apps for claim

- Carriers are setting new expectations
  - 15 minute quotes, or half that
  - Same-day claim service
  - Recently, same-day payment

Initial industry reactions

- **Comparative raters — independent market**
  - Okay initial step, but agent-focused (not consumer-focused); rates were, at best, a guess (final price nearly always different).

- **Call centers**
  - Distribution-focused (not consumer-focused) despite marketing campaigns.

- **Direct to consumer via Internet**
  - Only relatively simple policies are brought to bind (often referred to call center).
  - Like the comparative raters, initial quote is a best guess based on minimal and unconfirmed information. Lengthy follow-up to get final price. Millennials and Generation Z view this approach as a possible "bait and switch."

> Studies show that most customers are hitting multiple channels before making the final purchase decision.

Need for change

- Cost of acquisition
  - Industry average: 1 in 7 quotes converts to a policy. Carriers need to consume 7 reports per bind
  - Loss and driving history getting more expensive.

- Millennial population is "non-sticky." Will change carriers if they believe they have been misled.

- Current prefill techniques are full of false positives and other data "mine fields." Agent/carrier loses credibility with this population.

- Millenials are heavily mobile based. Extensive data input is clunky and time consuming.

- High abandon rates are associated with taking too much time and lack of complete information on the part of the customer.

- Millennial population is inarticulate and confuses privacy with requirement for service.

Need for change

- Millennial demographic not as concerned with price as older consumers; want easy and fair;
  - Not into vehicles like Baby Boomers
  - Migrating to cities, leverage "shared" vehicles, many people using the same vehicle
  - Into Uber, Lyft, Zipcar (as users and providers)

- Insurers who present the most accurate/fair quote early in the process will win.

- Sale of insurance needs to be like every other online transaction: short, minimal input, easy to close, and high quality.

- Verification must be behind the scenes and transparent to the customer.

And the winner is…

The carrier that:

- Can simplify consumer's interaction and dramatically reduce the time to acquisition to 1 minute or less
- Can figure out how to break out of the current "household" paradigm and define the household and thus the risk
- Finds alternative ways to consume information and underwriting reports
  - Current information providers are not helping; they have defined when and how consumer reports are purchased
  - Consuming the same underwriting reports earlier in the acquisition lifecycle will lead to more expense

And the winner is…

The service provider that:

- Can apply population-specific advanced analytics at point of sale

- Will assess and adjust the information being provided before transmission to the insurer (quality is key)

- Invents new ways to format and deliver underwriting reports early in the quoting process without dramatically increasing an insurer's expense

- Will work with and help the insurer determine when enough is enough; not all consumers will require the same level of information and scrutiny

- *The result is lower acquisition cost per unit*
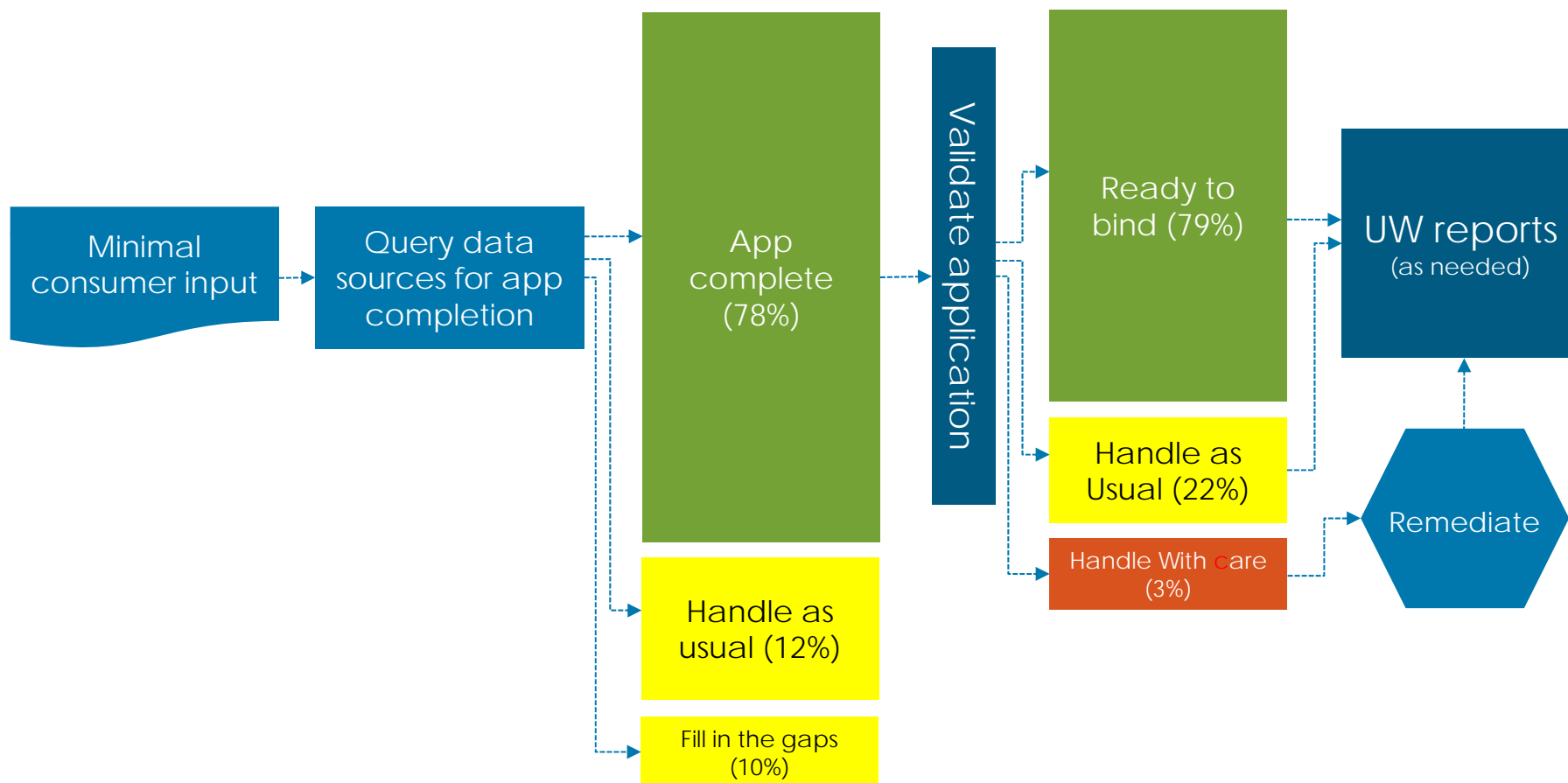
Our analysis

- We studied a statistically significant number of consumer inquiries to build an accurate application using minimal customer input.

- We analyzed 93 data elements from 13 information providers.

- The complete analysis contained 28 million rows and 32 gigabytes of data.

- Primary data sources were used to populate the application.

- Secondary data sources were used to validate the information.

Inquiry vs. census distribution
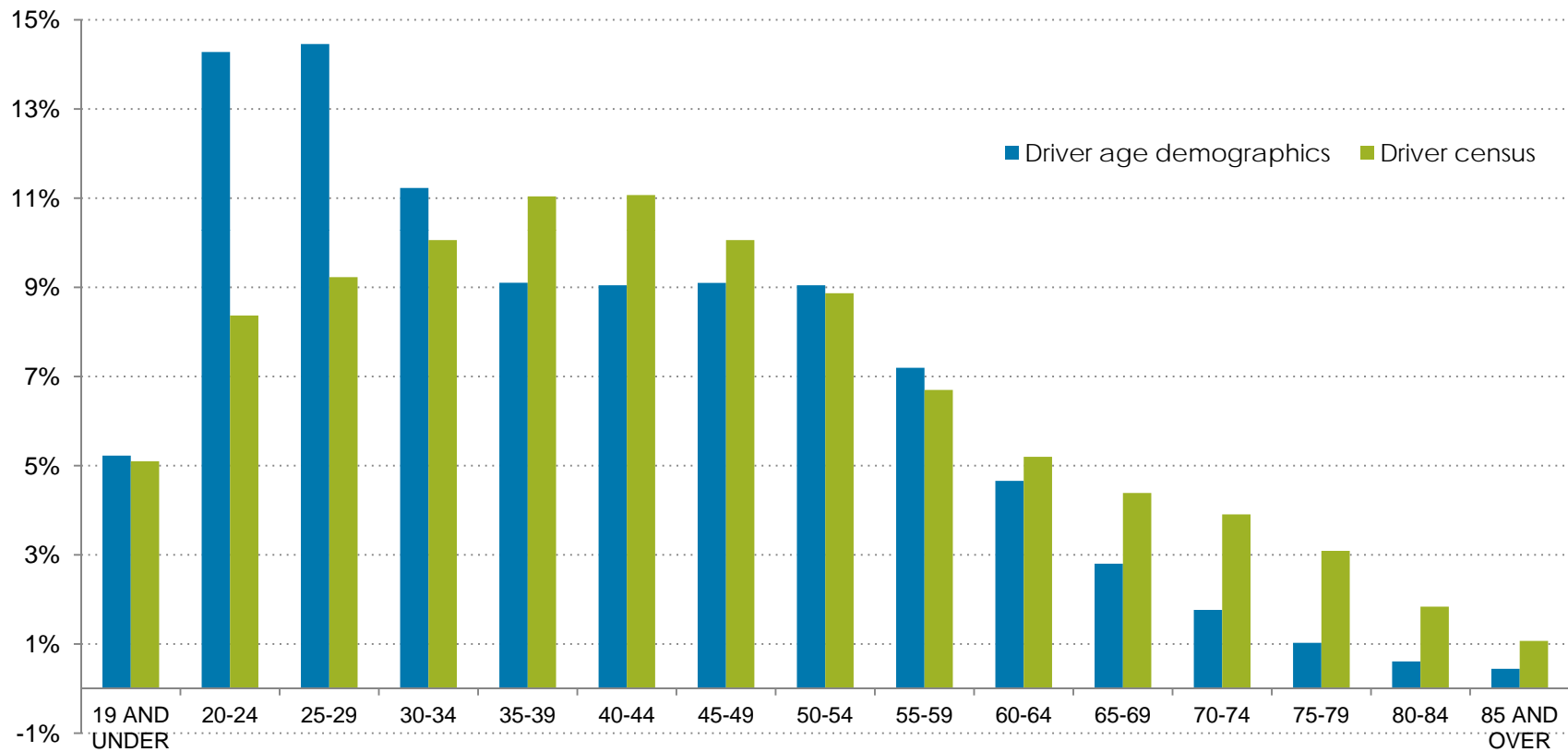
Findings

- Initial analysis showed that 78% of applications could be completed using independent data sources with minimal customer input.
  - The resulting applications were validated using secondary sources.
  - Over 50% of the applications were fully validated; nearly double what we see in applications completed by consumers or using standard application prefill approaches.
    - 12% had minimal exceptions
  - 2.5% of applications contained significant variations; current processes result in two to three times as many "high-risk" applications.

- Financial outcomes
  - Historical analysis shows that policies with minimal exceptions (62% above) perform 52% better than those "high-risk" policies with significant variances .
  - The distribution shift alone yields a loss ratio improvement before any remediation.
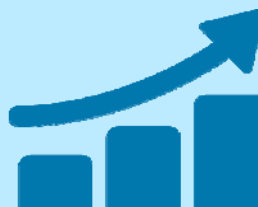
In summary

- Consumer demands are changing, driven by age demographic shifts and higher expectations.

- Carriers have to "win" the customer earlier in the underwriting process.

- Currently available data can allow insurers to provide a complete, accurate, and validated quote with minimal consumer input.

The result is higher win rates, an improved customer experience, and better financial outcomes.

Discussion