

Maximizing In-force Values by focusing on Customers' Needs

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Introduction | Why | What | How | What hurdles | Q&A

Knowing your customer is key to business in 2015 and beyond



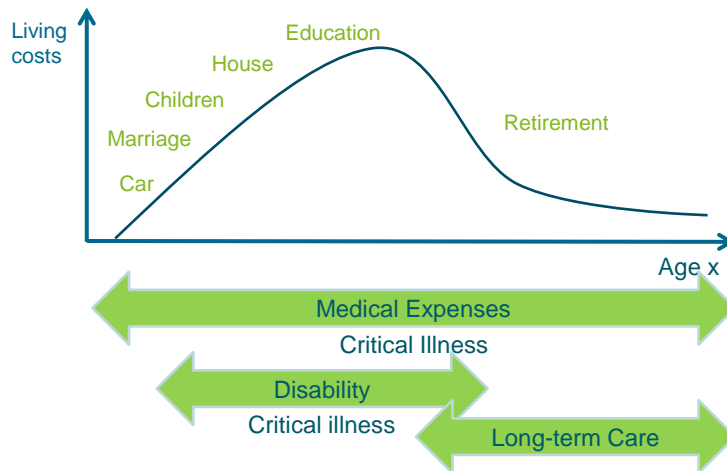
...and you should know your customers
much better than your competitors

Focus on New Customers or Inforce Customers?



Source: Ernst and Young – Global Customer Insurance Survey - 2012

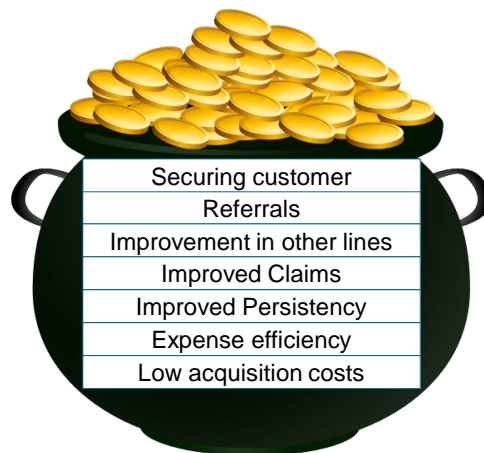
Needs always changing!



Maximizing In-force Values by focusing on Customers' Needs

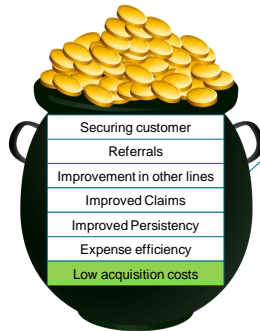
1	Why is it valuable?
2	What customers' information do we have?
3	How should we use it? Customer profiling
4	What hurdles do we have to jump?
5	Q&A

Why do this? The Value of Inforce Customers



As offer becomes more focused, value from offer substantially increases in all of these areas

Value of inforce customers - Acquisition



- Existing relationship
- Response rates extremely higher than for new customer
- Accurate contact data minimizes contact expenses
- May use simplified issue

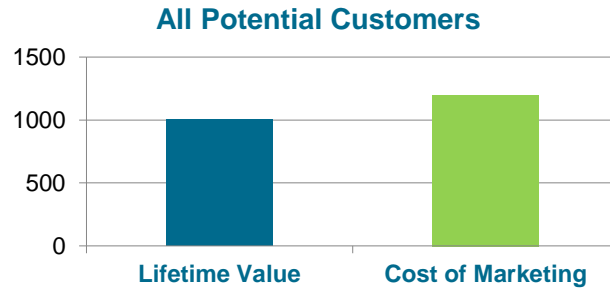
Marketing existing customers	Response rates		
	Comp 1	Comp 2	Comp 3
Age - Males			
35-39	43%	39%	39%
40-44	47%	29%	38%
45-49	41%	38%	32%
50-54	31%	38%	22%
55-59	22%	13%	7%

Same product has 1.4% response rate for new customers

Key to optimal marketing using propensity modeling

Optimal Marketing utilizes data mining/segmentation to market to all customers where the customer lifetime value exceeds the cost of the marketing

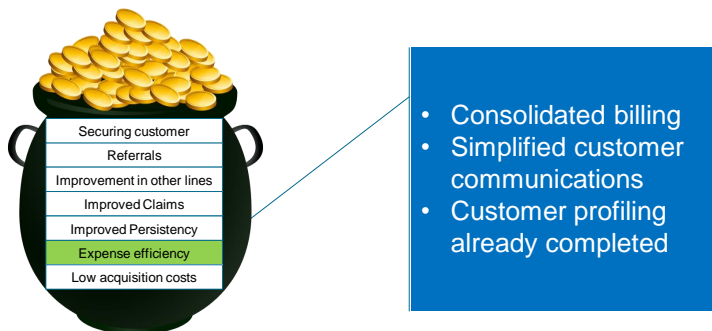
Simplified Example – Life Time Value vs Cost of marketing



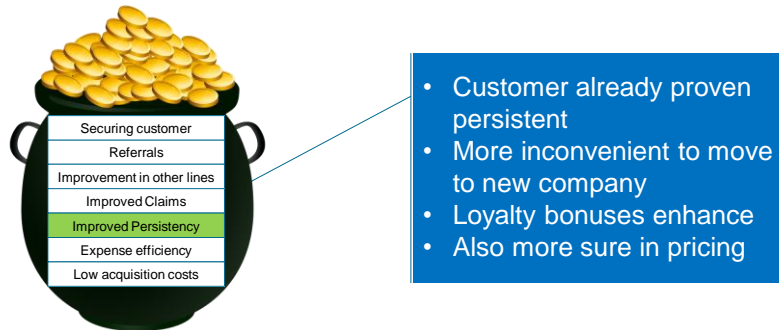
Lifetime value = Present value of all future cash flows after initial marketing
 Cost of Marketing = All acquisition expenses

In this example, decision would be made to **not** market to this customer

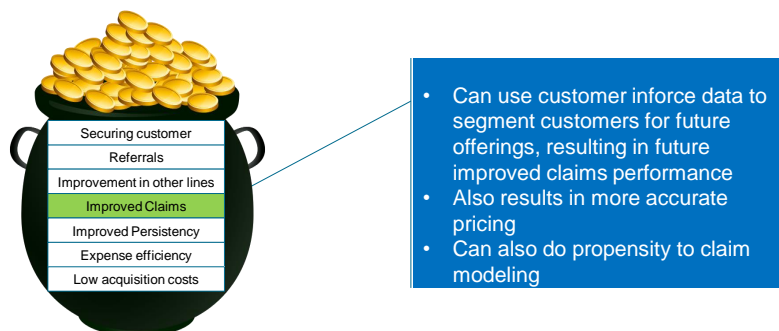
Value of inforce customers – Ongoing expenses



Value of inforce customers – Persistency

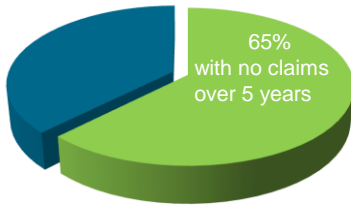


Value of inforce customers – Claims

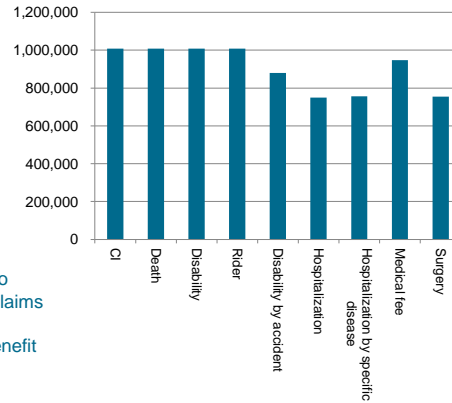


Further enhancements using claims experience

1 million clients

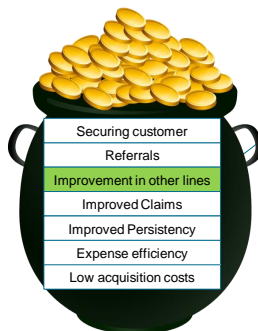


Multiple benefit cover



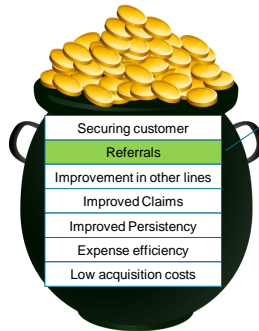
- Experience data on the portfolio enables us to estimate the number of clients that have no claims over 5 years
- Most clients have cover for more than one benefit generating premium across multiple covers
- Offers to customers can be:
 - Inflation top up cover
 - Cover to fill in coverage gaps
 - Simplified underwriting product

Value of inforce customers – Improvement in other lines



- All products customer owns benefit from cross sell from perspective of persistency and expense savings
- Can share with customer using multiline bonuses or loyalty programs

Value of inforce customers – Referrals



“ Referrals are very powerful. When I refer you, I give a little bit of my reputation away. If you do a good job, my friend that hired you is pleased.

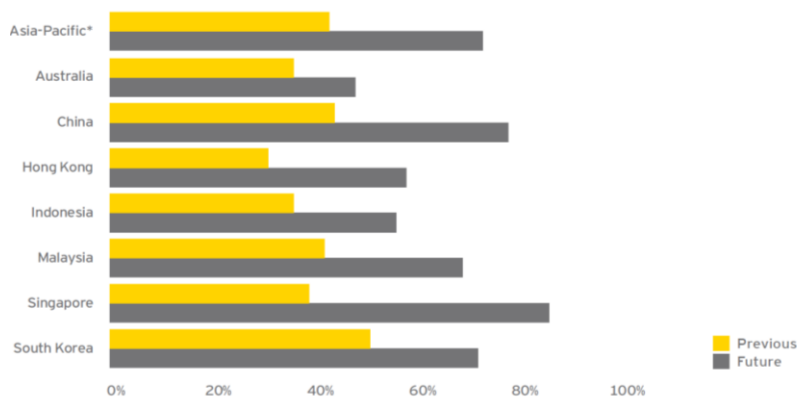
But if you do a bad job, that reflects badly on me. People forget that ”

– Ivan Misner

from FamousQuotesAbout.com

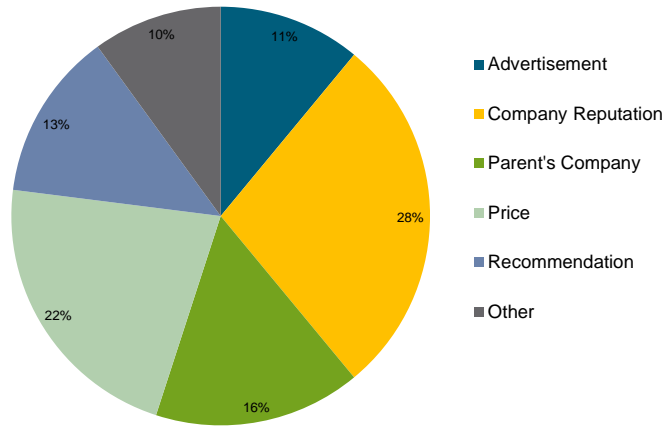
Customers tend to extensively research insurance purchases

Customers doing a fair amount or great deal of research before purchase



Source: Ernst and Young – Global Customer Insurance Survey - 2012

Where do customers look for advise? Primary Source



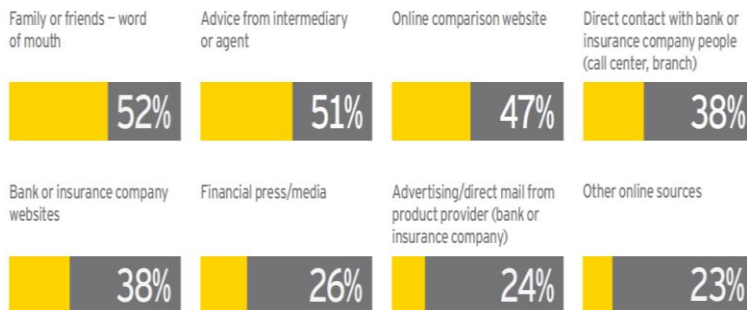
Survey from USA

SCOR
Global Life

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Where do customers look for advise? All sources

Which of the following sources of information would you use when researching the purchase of a new policy?



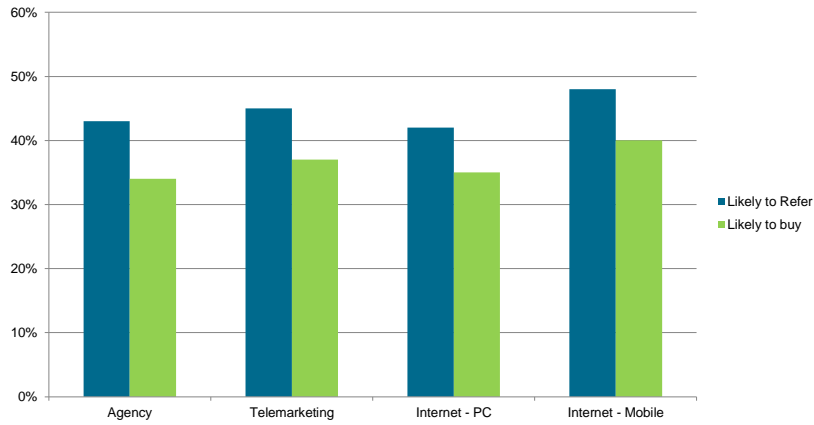
Source: Ernst and Young – Global Customer Insurance Survey - 2012

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Will these people actually refer?

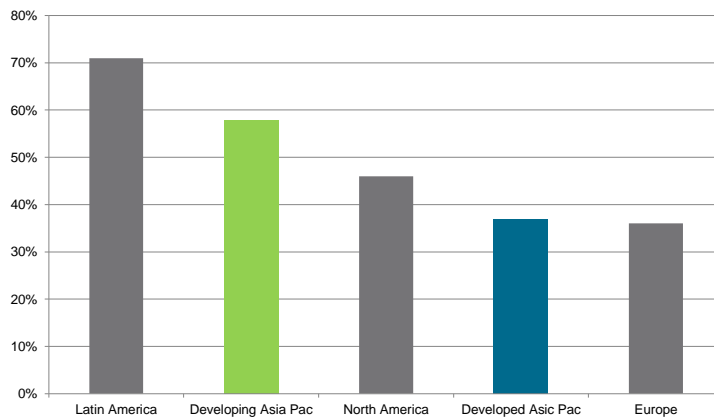
Life insurance inforce customers with Positive experiences



Capgemini study – 2013

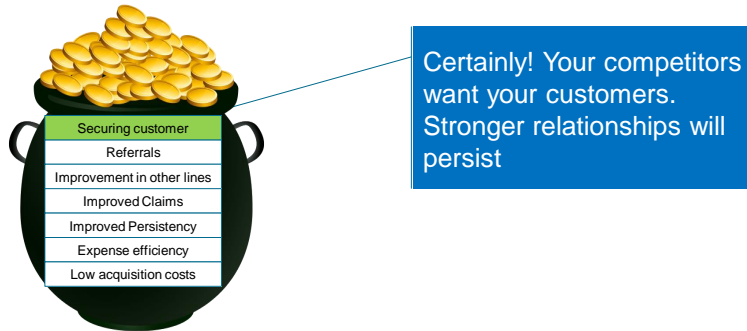
Do our customers have positive experiences to talk about?

% Life customers with positive experience



Capgemini study – 2013

Value of inforce customers – Securing Customer



There are two potential paths that Big data can lead us to



Amazon before 2000

Amazon today

[illegible]

Amazon today

http://www.amazon.com/actuariess-survival-guide-second-edition/dp/0123869432/ref=sr_1_1?ie=UTF8&qid=1409016360&sr=1-1&keywords=actuary

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by Fred Szabo (Author)

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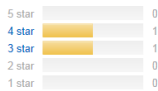
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★★★★★ (2)
3.5 out of 5 stars



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Fidelity in 1995 – Online Investor Center



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Fidelity Now – Non traditional competitors

Fidelity CUSTOMER SERVICE OPEN AN ACCOUNT REFER A FRIEND LOG IN <input type="text" value="Search by keyword"/> <input type="button" value="Q"/> <input type="button" value="Quotes"/> <input type="button" value="Q"/>				
Accounts & Trade	News & Insights	Research	Guidance & Retirement	Investment Products
Portfolio ⓘ Account Positions ⓘ Trade ⓘ Transfer Money / Shares ⓘ Cash Management ⓘ BillPay ⓘ Full View ⓘ Update Accounts / Features Statements ⓘ	News Insights Viewpoints	Watch List ⓘ Quotes Alerts ⓘ Mutual Funds Stocks Fixed Income & Bonds ETFs Options Markets & Sectors IPOs Annuities Learning Center	Investment Guidance Retirement Planning Wealth Management Estate Planning & Inheritance Taxes Saving For College Charitable Giving Life Insurance Calculators & Tools	Mutual Funds Retirement & IRAs Trading Stocks Fixed Income & Bonds ETFs Options Sector Investing Cash Management Managed Accounts 529 College Savings Annuities Life Insurance

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What does Gen X and Y and Z expect



Expanding the customer horizon

Type of customer	Ideas
Existing customers	Electronic needs assessment, insurance data based offers, unified billing, cross sell, online customer service and claims, upgrade outdated coverages, free or innovative offers
Policyholders of affiliated company	Single source of customer information, cross sell with discounts
Affiliated customer in group	Marketing using affiliate company information filters
Family members of existing customers	Free insurance to school graduates, child protection policies
Friends of existing customers	Enhance experience of existing customers to increase referrals

The value of strengthening customer relationships



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Customer information from Needs analysis



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Introduction | Why | What | How | What hurdles | Q&A

Insurance company customer data – Insurance application



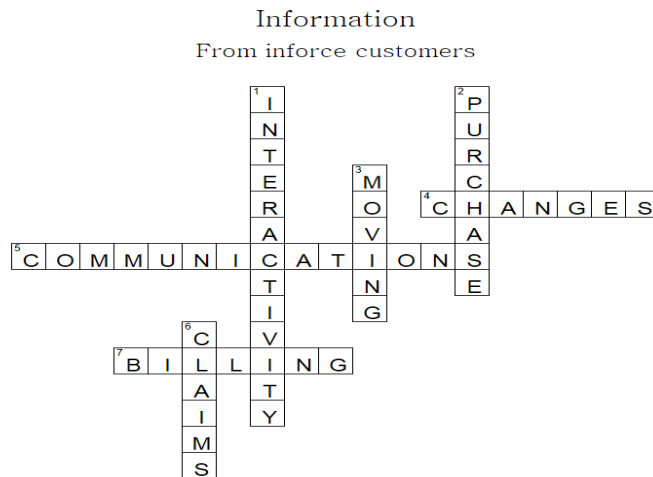
AGE, GENDER



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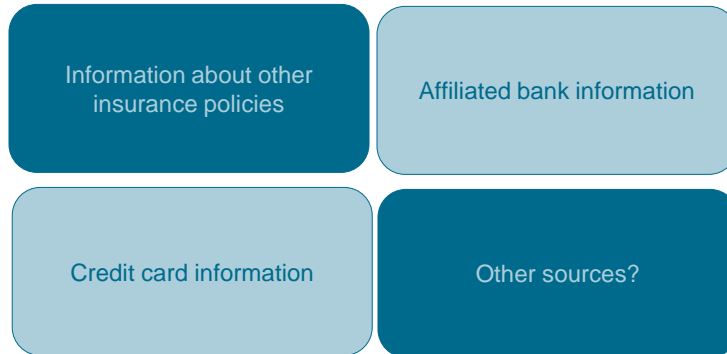
Unique insurance company customer data – inforce customers



Continuously Update!



Affiliated group companies or relationships



Supplement Internal Data with External Big Data



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How to execute?



“Strategy is really simple.

What we want to do is we want to put an incredibly great computer in a book that you can carry around with you and learn how to use in 20 minutes ... And we really want to do it with a radio link in it so you don't have to hook up to anything and you're in communication with all of these larger databases and other computers”

Apple co-founder Steve Jobs



Customer Focus and Keep it Simple.

Principles of proper Data management

Collect as much as you can



Store it where it is safe and accessible



Use it optimally!



Build a strong customer profile for all of your customers

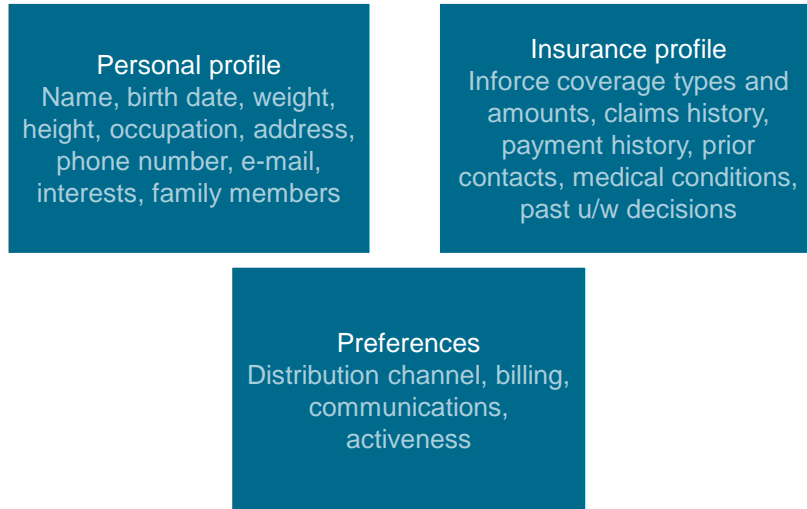
Affiliated Company information

Big Data

Customer Existing information

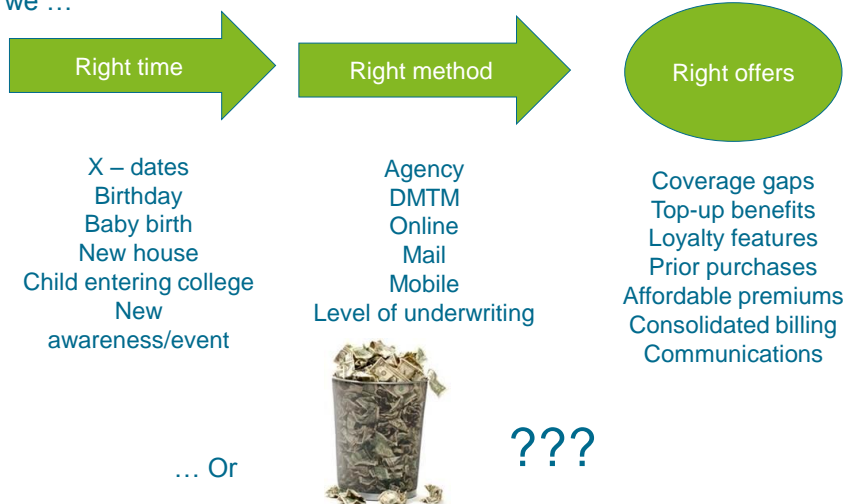


Build Customer Profile



Now that we have the profile, what do we do with it?

Do we ...



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Biggest hurdles to overcome



Hurdle – Agent conflict!

Marketing to inforce customers with active agents

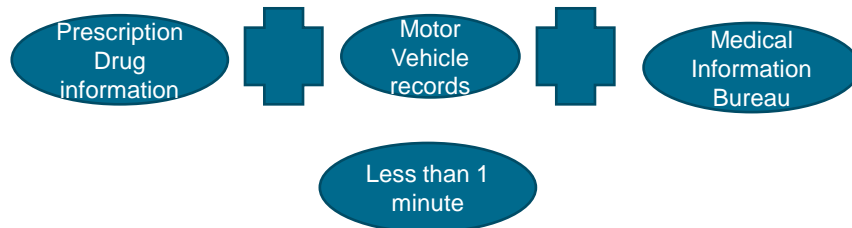
Working with agents	<ul style="list-style-type: none"> Provide agents with the opportunity to opt out of the program A one time payment for use of list or a smaller payment with ongoing renewal commissions Assure communication very clear and understandable for agent
Marketing	<ul style="list-style-type: none"> Assure that marketing is low key, to avoid loss of existing business! Mailings, inserts into bills, or low key phone calls are ideal
Billing	<ul style="list-style-type: none"> Operationally, it is recommended that billing for new sale is incorporated into the existing customer's bill, to ease payments for the customer, thus further improving persistency

Or start by marketing to orphaned policyholders

Benefits	<ul style="list-style-type: none"> More "profits" available since no agent costs May want to provide additional value for customer
Reassign to agents	<ul style="list-style-type: none"> Good to assign business to agent at same time, since best if customer not orphaned. New agent also picks up full or partial renewal compensation on current orphaned policies

Hurdle – Regulations

- 100% compliance with existing regulations is crucial
- Customers will voluntarily give information if they benefit
- Full disclosure of information being used
- Ultimately, use of data does HELP customer if done properly



= Completed Application and offer!

Over 1.5 million life applications in the US using SCOR Velogica technology

Hurdle – Internal Sharing of data and maximizing customer value

- Need to structure so that all interests are aligned
- Need to understand the value of cooperation and the danger of not
- Usually upside of sharing is not known as well as the downside
- Need strong CRO function to assure company/customer alignment
- Almost always requires commitment from top management

Who wins?

Customer – Products that meet needs at preferred prices, only one company relationship, company providing value added services	Distribution channel – Additional revenue, more effective selling, customer referrals
Company and Group – Revenue, expense saving, loyal customers, reduced claims, improved profits	

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Q&A + Velogica!

Attracting your customers is a high priority for your competitors.
Keeping them should be an even higher priority for your company!



QUESTIONS???