# Policy Protocol

By Ian Turvill

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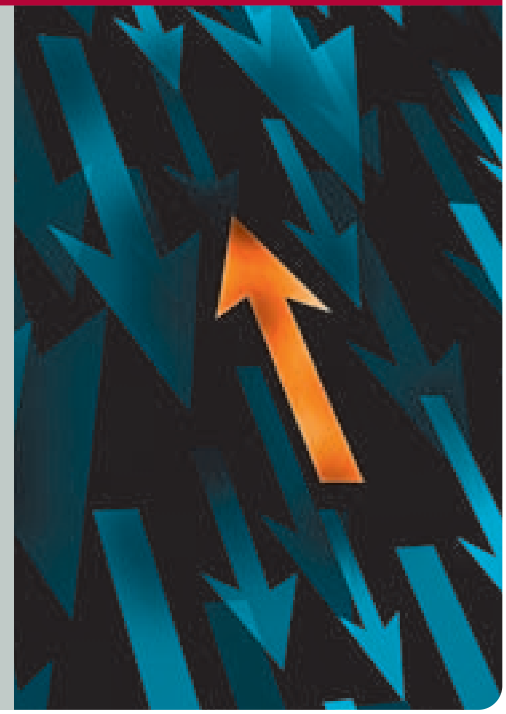

If you ever dared to strike up a conversation with an insurance salesman, he might introduce you to a basic tenet of his business: Life insurance can't be sold—it can only be bought.

As a direct marketer, how should you interpret this rather enigmatic comment? Its meaning is actually quite straightforward. Life insurance can't be marketed like other products or services, such as credit cards or canned peaches. Instead, you have to rely on customers coming to you.

Why? In part because life insurance deals with a topic that most people would rather not be reminded of: death. But also—aside from basic term policies—life insurance has a complex value proposition that goes over the heads of even the most sophisticated consumers.

If this is the case, then why did US consumers spend more than half a trillion dollars on life and annuity premiums in 2004 alone? Well, because most buyers have been forced (figuratively and sometimes literally) to recognize and understand that many future financial needs can best be fulfilled through a life insurance policy.

For example, a middle-aged professional goes to a financial adviser as part of an overall effort to prepare for retirement. The adviser prepares a complete financial plan, including savings goals, asset allocations and mutual fund selections. But he also spends a great deal of time explaining how life insurance can support long-term savings goals in a tax-advantaged manner.

Or perhaps a young couple has a new baby, and their parents force them to go out and buy a policy. (Or if they're lucky, the parents buy the policy for them.)

Most life insurance customers buy policies because they recognize a need; no one from the insurance company sold them on the concept, because they were

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ready to buy. The only choices they had to make were how much coverage they wanted and who to buy from.

Still, there remains a very large number of individuals in the United States whose families are not adequately protected in the event of their death. When pressed in surveys, as many as 45% of respondents indicate they have insufficient life insurance coverage, if any. This is a potentially very damaging situation, because the social costs of families' breadwinners dying without adequate protection are significant.

This untapped market presents imaginative, experienced marketers with a lucrative and growing opportunity to apply their talents. Marketers can and should step up to help actuaries, underwriters, agents and others in the insurance industry develop products that are easier to understand, and to promote them in ways that are likely to spur consumer action.

So what can direct marketers do to address this simultaneous challenge and opportunity? Successful acquisition, development, retention, and if necessary the winning back of profitable customer relationships requires an integrated five-step process that starts with customer insight, and which translates into effective marketing action.

Let's consider how each step might work in detail.

### Step 1: Understand customer behavior

Build insights among under-served customers. The characteristics of the typical first-time life insurance policyholder are easy enough to predict: More often than not, they're college-educated professionals with young families.

In fact, this description is so stereotypical that you can be sure an insurance salesman would not have to be asked twice to attend a party full of senior associates at a law firm or of an accounting firm's audit managers. So how do you find the people who might need more life insurance but don't fit this mold? Many multi-line insurers (companies that offer policies of multiple types: auto, home and life, for example) actually have a built-in method.

They can review existing life insurance policyholders and distinct customer profiles, as defined by demographic and other characteristics. Then they can target similar customers in their other lines of business and determine if one or other of these segments is more or less likely to respond to an offer of a life policy. Finally, armed with this information, they can cast their net more broadly and seek customers among the general population who match the best-performing profiles.

### Step 2: Predict customer behavior

Identify events that anticipate insurance needs. The idea of trigger marketing is not new, but few carriers are doing much to take advantage of the obvious links between certain life events, such as an impending wedding or a recent addition to the family, and the purchase of insurance.

Imaginative application of available consumer data from sources such as birth registrations, marriage licenses or even address changes could generate substantial value through outbound marketing communications or across inbound channels.

### Step 3: Recommend action

That is, marketing campaigns with the potential for high return on investment. This is basic "blocking and tackling" for direct marketers, and there's much that insurers could learn here.

### Step 4: Reach out

Promote enterprise-wide initiatives that support low-cost customer acquisition. Targeting under-served customers is not enough. Marketers also should encourage the rest of the organization to get behind the effort through a set of mutually consistent initiatives that drive down the cost of delivering insurance to these customers.

In general, any attempt to lower costs and improve operational efficiency, such as through automation, will be beneficial. But specific actions include:

- **Simplifying** overall product design and selection to facilitate the customer buying process.
- **Making** greater use of rules and analytics at the point of sale to streamline underwriting.
- **Deploying** self-service technologies to help customers when they make non-technical inquiries, such as account reviews, address changes and the like.
- **Attaining** where cost efficiencies are, marketers should push for these to be translated into lower policy prices.

### Step 5: Measure and improve

Maximize the value of these new relationships to the firm. It's possible that carriers may target customers whose initial value to the firm is only marginal. If this is the case, and if the company is to justify its up-front marketing investment, then it needs to do everything it can to maximize the value of these new relationships over time.

Most insurers are aware of the need to extend the length of relationships. Indeed, one of the most intensely studied areas is what carriers call persistence—making sure customers keep paying their premiums over time. Insurers dedicate a lot of effort to identifying those customers who are likely to fall away and putting programs in place to save them.

Increasingly, insurers also are aware of the need to cross-sell existing customers additional products. But more often than not, the biggest hurdle is getting different parts of the organization to "play ball."

One of the most neglected approaches is to use customers as the basis for cross-selling. Carriers will be well served if they can find customers willing to act as "evangelists"—that is, those who will carry the message about the value of life insurance to spouses and children—and equipping them with the tools to do so.

*Ian Turvill, Director, Product Marketing, Fair Isaac's Precision Marketing Group, specializes in helping leading marketing organizations apply new strategies, processes and technologies to acquire, develop and retain profitable customer relationships. He can be reached at* IanTurvill@fairisaac.com.

**Five Steps to Effective Insurance Marketing**

1. **Understand customer behavior**

   Be familiar with the demographics, lifestyles and other data that describe customers most in need of life insurance, but who are less likely to have explored its potential benefits.

2. **Predict customer behavior**

   Extrapolate from available data. When carriers can forecast a customer's response to an offer or message, they can formulate a range of potential marketing programs.

3. **Recommend action**

   Choose the best marketing treatment for an individual customer from among available approaches.

4. **Reach out**

   Carriers should reinforce their attempt to attract lower-value customers through cost cutting.

5. **Measure and improve**

   There's always room for improvement!

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