A CUSTOMER-CENTRIC BUSINESS MODEL UNLOCKS VALUE FOR INSURERS

When you put the customer first, you take ownership of the client relationship and maximize its value and profit for your business.

In brief

- A customer-centric business model reduces acquisition costs and loss ratios, and raises retention rates and revenue per customer.
- Putting the customer first requires a strategic transformation, operational and cultural change, an investment in full-range product availability, and the adoption of streamlined technology.
- New technology, partnering with carriers and change management are critical steps to redesigning your infrastructure to focus on the customer.

Customer acquisition is arguably one of the steepest and most costly hurdles for a business, and insurance companies are no exception. Organizations spend on average five times more to acquire a new customer than to retain an existing one.[1] Plus, the likelihood of selling more to an existing customer who already knows and trusts your brand is 14 times greater than selling to a new customer.[2]

How can life insurance companies maximize customer retention and sales across all of its lines of business? The answer can be found in the way your life insurance carrier is structured.

Insurance companies have traditionally structured their businesses around product offerings and coverage lines, which doesn't encourage the purchase of multiple lines of coverages simultaneously. Life insurance carriers must swim upstream against a current they've created to retain customers and try to meet their insurance needs across a spectrum.

When insurers adopt a customer-centric business model, though, they benefit from lower acquisition costs and loss ratios, higher retention rates and revenue per customer.

The savings are two-fold:

1. **Expenses per policy sold** decline when the customer purchases more of your products, because acquisition costs are spread across lines, hit rates are increased for additional lines, and customers are more likely to remain with the insurer, increasing retention as a result.
2. **Loss ratios** decrease because of improved pricing and underwriting eligibility criteria and because of improved claims outcomes, enabled by data use across lines.

Business models built around the customer benefit every carrier type. The upside is compounded and far-reaching for the group insurance market, as there are several natural entry points that can lead to multiple product purchases. And businesses welcome opportunities to promote employee morale and loyalty; being able to easily manage home, disability, life and health insurance with a single paycheck deduction is a huge value-add for their employees.

1 PropertyCasualty360 "How data analytics convert insurance prospects to customers," September 7, 2021.

2 Forbes "The Value Of Investing In Loyal Customers," January 29, 2020.

How do you redesign for customer centricity?

Any foundational organizational change requires a significant investment of time and resources, but your commitment to putting the customer first can yield great profits. To do so, you will need to address four major areas:

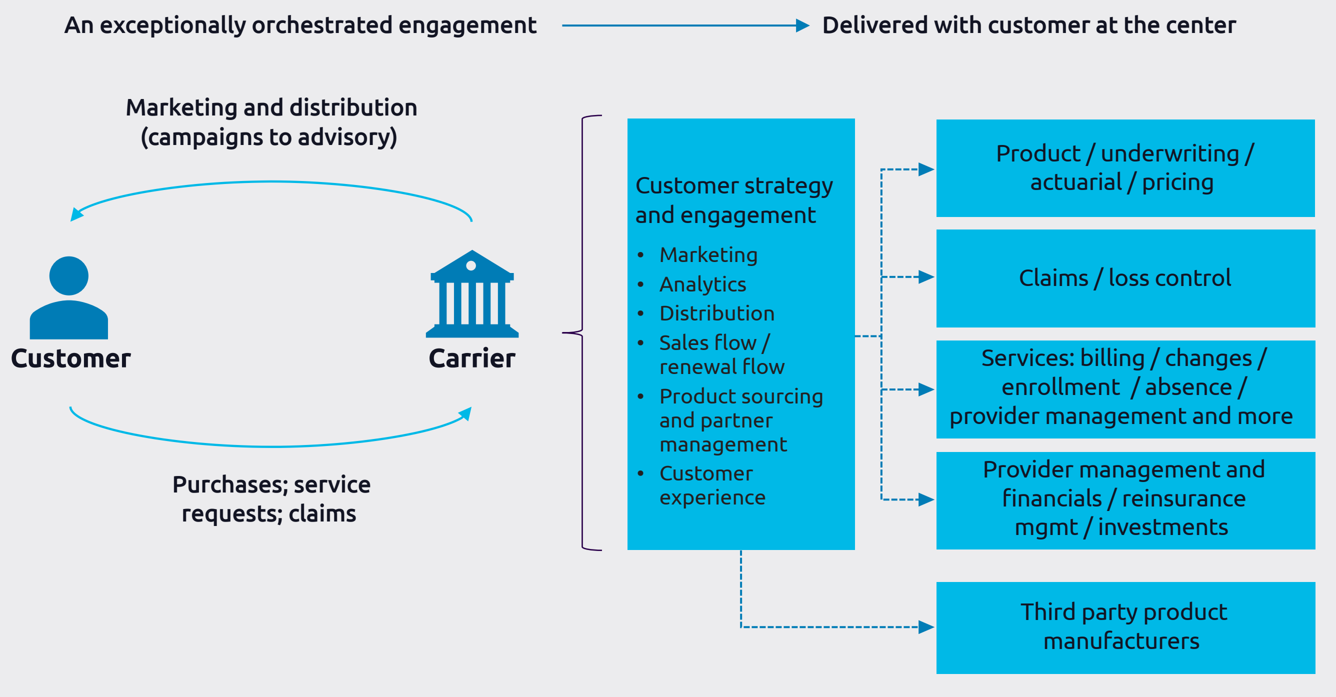
1. A strategy transformation to adopt a customer-centric business model that maximizes customer ownership.
2. An operational and cultural change to enforce a customer-centric operating model that facilitates customer engagement.
3. An investment in full-range product availability by either manufacturing or sourcing product lines as desired.
4. The adoption of streamlined and agile technology that provides ease of use for the customer and data and process centricity for the carrier.

Between vehicles, residences, health, travel, inheritance, and retirement, customers need a lot of protection, and the carrier must act as a conduit to the solutions. But that doesn't mean you have to supply auto, home, personal property, major medical, travel, disability, life and annuity all under your roof.

Consider the Amazon business model. They've become a giant not by fulfilling every order themselves, but by owning the customer relationship and ensuring all orders are filled, either with their products or, via an external partner. Like Amazon, insurers must find ways to give customers a one-stop-shop with seamless purchase experiences across a broad spectrum of coverage lines.

Whether the carrier writes the product, transfers the risk to a partner or acts as an agent for another carrier, insurers can take ownership of deep relationships with their insureds by simply maximizing the insurance products distributed to each customer.

Figure 1. Customer centricity: a new carrier operating model



Source: Capgemini

Three ways to create a customer-focused organization

Carriers who seek to remain relevant to today and tomorrow's consumers must take a step back and reshape their company's infrastructure to be customer focused.

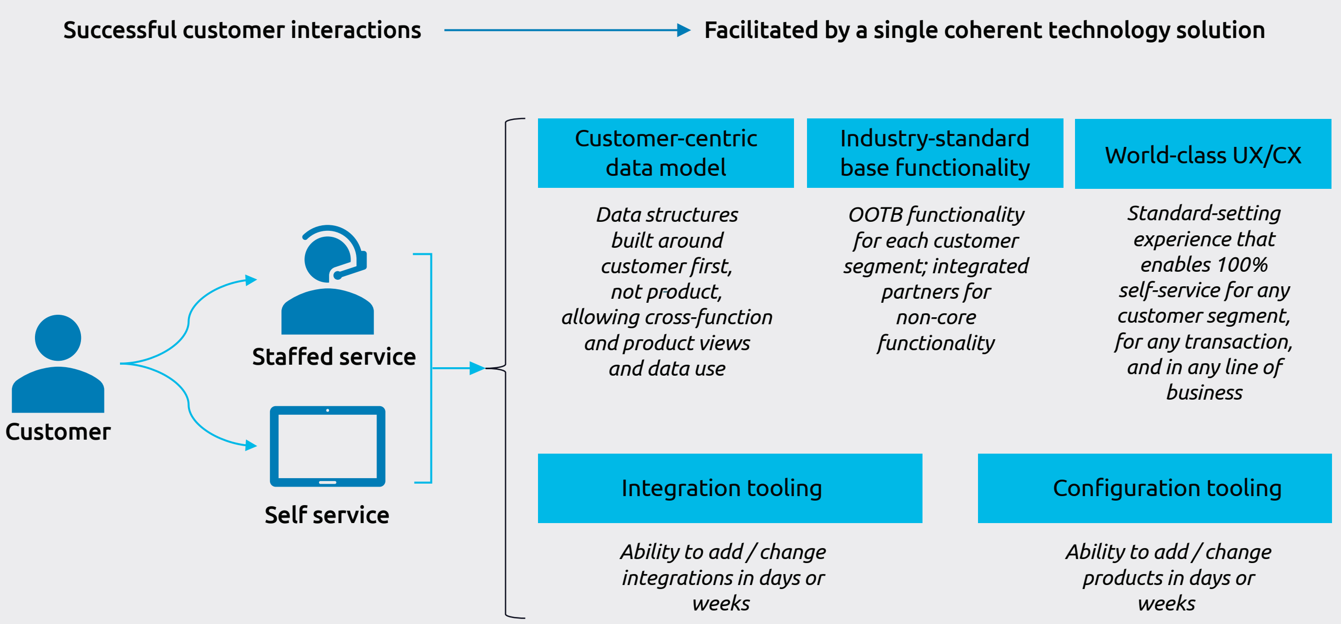
Most organizations vertically silo employees, data, marketing, and product development into product pillars. To achieve customer centricity in your business, you'll need to employ a horizontal organizational structure, across all types of insurance, with individual products falling underneath.

When shifting your infrastructure to a customer-first model, consider these three steps:

1. Technology must be customer focused

Your underlying software works behind the scenes to efficiently knit together processes and outcomes for both your business and your customers. Technology that's designed around products will never allow you to break free of the siloed chains that keep your organization from seamlessly meeting customers where they are with the experience that they're looking for, while supporting your backend and organizational efforts to produce profitable and timely outcomes. Once you've adopted a fundamental consumer-centric model, it's imperative that this flows all the way down to the data analytics, tracking, and systems used in your software.

Figure 2. Optimizing technology to maximize value



Source: Capgemini

2. Strategic partnerships with outside carriers will enable you to meet more needs.

Engage in mutually beneficial collaborations with other likeminded carriers to distribute their products to your customers. If your group benefits don't include pet or life insurance, for example, your customers' needs continue going unmet and you're leaving money on the table. But you don't have to create your own products and assume all the risk to achieve customer centricity. Finding the right partner and acting as the agent allows you to become the intermediary in the transaction while someone else assumes the risk. Altogether, this allows you to own the customer relationship across business lines.

3. Implement meaningful change management to guide your transformation.

It's time to shift your mindset on how to measure the success of product sales. The goal is no longer to maximize the profit and loss for individual product lines, but rather to maximize it for customer segments. Instead of asking "How do we write as much disability as possible?" the question now becomes "How many product lines could we sell to average Joe Smith in our target market?" When your customer profile becomes more sophisticated, you start evaluating what customers will need in their total risk transfer. Your new goal becomes clear: sell as many products as possible within each customer lifecycle.

In conclusion

Reimagining your organizational structure to put the customer first may be daunting. But with the right technology, partnerships and organizational change management, this transformation can unlock waves of untapped potential for any insurance business — across all business lines.

For life insurance carriers, there is an immediate need to gain market share and loyalty. As the silver generation is expiring, the population in younger generations is smaller, and the triggers to buy life insurance in North America — marriage, children and home purchases — are either happening much later in life or not happening at all.

Putting the customer first can change the game for life insurance carriers in every way. In addition to benefitting from lower acquisition costs and loss ratios, earning higher retention rates and revenue per customer, you'll also be able to be a one-stop-shop for those that need you the most — the true promise of a life insurance carrier.

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