

Customer Behavior & Loyalty in Insurance: Building Connections and Revenues



Fostering Customer Loyalty in the Insurance Industry

One of the industries that needs to push fast in innovation is insurance. Banks are continuing to change. Similarly insurance companies need to catch up as:

1. Situated in a Highly Competitive Marketplace

Insurance companies sell a product that many consumers consider to be a commodity. Insurers must put the customer experience at the center of their business strategy to improve customer loyalty and compete with insurtechs.

2. No Personalized Touch

Many consumers now buy insurance through aggregator sites, rarely connecting directly with the carrier or its agents. Insurers find it challenging to differentiate themselves in the eyes of their customers, especially when they interact so irregularly with them. In an era when consumers across markets expect high-touch, personalized service, insurance, by its very nature, remains a low-touch industry.

Significant Trend in Insurance: Among the findings of Bain & Company's third global survey of retail insurance customers shows

Insurers are discovering new ways to build loyalty by offering their customers an interconnected array of services that extend beyond insurance.

Loyalty is good for business. Carriers that win the loyalty of their customers find that they stay longer, buy more products and recommend the company to their friends and colleagues. Higher loyalty means lower churn, and that can help companies reduce costs and expand margins. Insurers have made concerted efforts in recent years to build customer loyalty. They've embraced digital platforms, retrained employees and started to redesign customer episodes. These initiatives can pay off.

Opportunity for Building Loyalty in Insurance

Insurers that concentrate on building loyalty can gain as much as 20 percentage points in Net Promoter Scores over a three-year period

85% of insurers say that customer engagement and experience is a top strategic initiative in 2016

22% of insurers have launched personalized, real-time digital or mobile services (Accenture)

Less than one-third (29%) of insurance customers are satisfied with their current providers (Accentre strategy report)

Only **15%** of consumers are satisfied with their insurers' digital experience

Solution: Delighting through digital rewards for loyal customers


Rewards are becoming a standard practice in the insurance industry. Customers have a relatively low level of engagement with their insurers. Building emotional connection (affinity) with customers helps in making them harder to leave. Conversely, customers' desire to exit increases if they do not get the value they desire.

Rewards programs are a close fit with some of the major trends currently underlying business growth and consumer behavior: big data, gamification, personalization.

Personalization is facilitated by big data – the more insurers know about its consumers, the better they are able to meet users' needs.

Gamification involves awarding points, badges, status for achieving certain goals and in return consumers enjoy increased rewards. Loyal customer gets the privilege of bragging rights with their friends enabling them to achieve higher status levels with their insurers.

Why A Tiered Reward Program?



Why a tiered program?	Benefits
<ul style="list-style-type: none"> • Tiers are set with milestones that a policy holder needs to pass to make it to the next tier • Milestones are usually points collected by showing loyalty, sharing personal risk data and improve the personal risk situation • A program with points encourages the policy holder to interact with all aspects of the program not just the ones that a milestone is based on 	<ul style="list-style-type: none"> • Increase Customer Engagement • Make your customers feel valued • Make customers earn their top rewards • Give rewards based on the current position of a customer

Loyalty engagement and Incentives

Many companies are automatically enrolling customers in rewards programs, giving experiential rewards up front for long-term retention and optimizing customer experience.



Incentives
<ul style="list-style-type: none"> • Sign-up Sign-up for the reward program • Provide Risk Data Provide data that prove how their personal risk situation looks like • Improve Risk Behavior Provide a positive impact on the personal risk profile • Customer Acquisition Refer program to friends and family • Purchase Buy new products and services • Inform Join online programs to inform how to reduce risks • Renewal Renew existing policies and services • Share Share information on Social Media

Insurers should communicate these automatic program enrollments to increase perceived value and optimize the customer experience from early lifecycle touch points. Rewards often increase with tenure, allowing customers to save more the longer they keep their coverage.

How to optimize rewards program design for insurance industry:

1. **Understand Customer Lifetime Value**, and reward the highest value customers. Most insurance customers will become more valuable with tenure, and so should the rewards they receive. Consider future customer value, not just current value, and develop a rewards program that evolves with the journey of the target customer.
2. **Offer Affinity Brand Rewards** to heighten customer engagement and create positive brand associations. Insurers should consider partnering with merchant/retailers to provide non-financial rewards
3. **Combine Technology and Rewards to Streamline the Customer Experience.** Mobile engagement allows for increased customer engagement and greater convenience across all touch points in the customer journey and will also facilitate the integration of rewards.

In summary, it is imperative that loyalty marketers in the insurance industry maximize Perceived Value and optimize key customer experiences to drive retention.

Why an insurance agency or brokerage needs a Referral Program

A good referral program is one of the most important ways for independent insurance agencies & brokerages to grow their business and nurture their clients.

There are several reasons insurance companies in the industry should pursue referrals:

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- 1. When a client delivers a referral, they become a better client:** A client who refers a friend or family member to their insurance will become more reaffirmed and committed to the agency. By reaching out to them and telling them that their actions mattered, you deepen the relationship and remind them they are not just a customer.
- 2. Referrals have a fantastic closing rate:** A lot of people don't like feeling "sold to", but when talking to a referee, you are talking to someone who is not only seeking the services you offer, but has had someone they trust inform them that you are a good source for what they are looking for,
- 3. Referrals are highly likely to become some of your best customers:** In 2019, *American Marketing Association* conducted a study about maximizing the benefits of customer referrals. They find that referred customers are more loyal than non-referred customers because they have a relationship with the referring client, and thus have more trust, attachment, and satisfaction to the agency. They are more likely to buy more policies and deliver the most referrals.
- 4. Referrals are a barometer for the health of your customer relationships:** The success of your referral program is a direct reflection of your relationship with your customers. The happier your customers are, the more referrals they will make.

New insurance customers acquired through referrals have NPS scores averaging 15 points higher than all other acquisition channels (walk in, Internet, personal networking, etc.). Customers brought by referrals have on average a 20% higher premium per policy compared to other acquisition channels.

Automated and Transparent Referral Strategy works!

Insurance companies should look into rewarding their customers for bringing referrals. Referrals can be effective if an insurance company has analytics in place, so it can see the referral process in real-time. That way, they can know which customers are bringing referrals at any given time. The process is credible, consistent and dependable.

About TADA

TADA is dedicated in helping its clients improve business performance by shifting focus from transactions to managing relationships. We believe businesses need to focus on optimizing customer experiences, increasing loyalty, creating customer advocacy, and delivering reward programs seamlessly. TADA helps businesses transform their digital presence into a value-added destination with features such as rewards and advocacy. TADA's series of APIs can be integrated into any app or website to enhance its offering and engage with their customers in a reliable, scalable and secure way.

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