



How effective customer communication can unlock the great hidden value in your insurance customer base.

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1. Do you neglect your greatest asset?

Customers are the life blood of all business; without customers there's simply no business. And effective, regular customer communication is a key factor in boosting profits, building customer loyalty... and even delighting your intermediaries.

So why is it that many insurance companies communicate so rarely with existing customers after a policy has been sold? There are various potential reasons:

- The "new business" number is often seen as the most important indicator of success - with cross sales, upgrades and retention featuring less prominently. This is especially the case in markets which are still growing rapidly.
- Remuneration of management and the sales organisation sometimes gives greater focus to customer acquisition than customer retention and development.
- Delivering effective customer communications demands resource and expertise that the company might not have in-house.
- Many insurers are concerned that customer communication programmes would alienate the introducing intermediaries.
- There is often a view that customers simply don't want communication from their insurer - or even that such communication could prompt policy lapses.

But the fact is that customers WANT to receive more communications from their insurance companies. And well managed communications from insurers to customers have been seen to DELIGHT intermediaries - provided they are always kept fully informed.

// Consumers want more frequent, meaningful and personalised communications from their insurance providers. //

- EY 2014 Global Consumer Insurance Survey (across 24,000 customers in 30 countries).

What's more, the demand for more and better communication is not coming from customers alone. Regulators around the world are increasingly keen to ensure that customers are kept aware of the benefits and terms of the insurance products they hold.

Insurers who communicate effectively with their customers provide a service that reinforces the value of insurance protection - leading to increased customer and intermediary loyalty, as well as the goodwill of insurance regulators.

Your customers are your greatest asset; don't neglect them.

// Most insurers, especially in the life sector, rarely interact with customers - a major impediment to earning loyalty. Being in touch with customers has a large positive effect on loyalty.. //

- Bain & Co, Customer Behavior And Loyalty In Insurance: Global Edition 2016.

2. Why many of your customers want to buy more insurance - from you

It's a well-known fact that it's easier to sell again to a satisfied existing customer than to find and sell to a new prospect. This applies to every business in every market. Yet, for the reasons we've outlined in Section 1, insurance companies are less likely than most businesses to use customer communication that capitalises on this opportunity.

At Riverside, we have been delivering results over the past 10 years that prove this point beyond any doubt. We deliver response rates on policy upgrade and cross-sell offers to existing customers that invariably delight our insurance clients; usually over 10% (converted) and, in some markets, as high as 30% or more.

// Working for and with insurance companies in 10 different countries, over more than 30 years, I have consistently seen that it is much easier and more profitable to sell to current customers, than to new customers of exactly the same profile. Usually 5-10 times more profitable. //

*- Paul Leadbitter. Financial Services Marketing Consultant;
Riverside Associate since 2015*

Customers who have already bought a policy appreciate the value of insurance protection, and are happy to consider further cover as their circumstances change over the years.

// Get closer than ever to your customers. So close that you tell them what they need well before they realise it themselves. //

- Steve Jobs

What's more, your own customers are likely to be especially open to offers from your insurance brand. After all, they have already decided that yours is a brand they can trust. Effective communication with your customers allows you to reinforce that trust. It also lets you remind them of the value of the insurance they already hold - and show them why and when additional cover can deliver great value for them.

// The campaigns developed with Riverside allowed us to increase our volume of premiums and in turn send a positive message to our existing clients and our agents. //

- Riverside insurance client

3. Relevant offers of additional cover deliver great customer service - as well as improved customer loyalty

At Riverside, we have repeatedly shown that communications offering additional insurance cover are welcomed by customers as a valuable service - provided those offers are clearly relevant and offer good value at an affordable price.

In fact, we make the customer offers that we create for our clients “look and feel” just like that - personalised and valuable customer service communications. And we know that’s how customers see them too, because they tell us that in research.

Riverside post-communication research (UK Life market): 86% of customers taking up additional cover and 70% of non-responders welcome and appreciate receiving direct offers from the insurer. Customers also said the service-based communication approach appeals more strongly to them than a marketing-based communication.

Most importantly, we have proved time and again that customers who receive relevant, service-based offers of additional cover are, as a result, more loyal to the company than customers who don’t

receive these offers. This applies even to customers who don’t take up the additional cover - as measured by ongoing lapse rates. And of course, reducing lapse rates is vitally important to profitability in insurance businesses.

Reduction in lapse rates: customers included in Riverside communications vs not included

Country	Netherlands	Switzerland	United Kingdom
Lapse rates: customers included in communication	6.8%	2.8%	5.2%
Lapse rates: customers not included	7.7%	4.0%	7.0%
Percentage reduction in lapse rates: included vs not included	12%	30%	26%

(Note : Lapse rates shown are yearly lapse rates, measured over one year following the communication).

It’s especially important for insurance companies to communicate effectively with their customers, because insurance is an intangible product. With protection products in particular, if we don’t add value by communicating, the customer will only see the value of the product in the event of a claim.

This is very different from, say, the telecoms industry. Customers experience the value of their telecoms provider every time they use their phone. For many people, that’s multiple times per day. But if they don’t claim on a protection policy, it’s “out of sight and out of mind”.

One of Riverside's business partners, Swiss Re, recently conducted a year-long study with an insurer, comparing the lapse rates of two groups of customers. The first group (the "control" group) received no regular communication over the year. The second group (the "test" group) received regular communication reinforcing the benefits and value of their cover.

The retention rates of the "test" group were 4.2% higher than those of the "control" group. This demonstrates the dramatic positive impact that relevant customer communication can deliver for insurance companies.

And with a purchase as major and long lasting as a life or health insurance policy, effective communication is particularly important. If a customer pays premiums for years on end without any communication that reinforces their choice, it is understandable that they will eventually question the value of the cover.

Of course, the more relevant and personalised your communications are, the better the value they deliver to customers. That's why the successful

upgrade and cross-sell offers that we create at Riverside often refer to the customer's lifestyle and their existing relationship with the insurance company - which reinforces the level of service the customer feels from the communication.

In "The Loyalty Effect", Frederick F Reichheld described how studies by Bain & Co showed that a 5% increase in life insurance customer retention (eg from 90% to 95%) improves customer net present value by 90%.



4. Be sure to involve your intermediaries in customer communications - and you can build their loyalty too

If you distribute through intermediaries, either tied or independent, you can use customer communications to delight them too - provided the intermediaries are always fully informed at every stage.

This is because, professionally handled, direct customer communication programmes from the insurance company also deliver a range of attractive benefits to the intermediaries:

- Additional income for little additional effort - from further product sales, plus better retention on existing policies.
- A list of customers included in the activity - which they can follow up if they wish, to secure additional policy sales.
- The ability to exclude any particular customers from the activity - as they choose.
- Additional inbound leads from customers, prompted by the communication. These often help the intermediary identify the best timing for high value sales propositions.
- The positive impression of the company, and hence the intermediary, that is delivered by high-quality, relevant communications.

At Riverside, we take care to include all intermediaries fully in the programmes we develop. This includes giving them the opportunity to exclude any or all of their customers from any communication - although very few intermediaries actually choose to do so. And as the results of the activity come to light, the enthusiasm of the intermediaries for further programmes grows commensurately.

Remember too that many customers no longer have any relationship with their original intermediary. These customers are often referred to as “orphans”. In many cases, such customers have heard nothing about their existing products or the insurance company for years on end, and there is enormous potential in building their loyalty and adding value through the use of relevant communications and personalised service-based offers.



The growing importance of multi-channel communication

Nowadays, consumers are demanding and expecting immediate digital access to information on all their financial products. Increasingly, customers will look to the insurance company directly for such immediate digital access, rather than encountering potential delays and the complexity of going through a third party with every information request. This trend is also positive for intermediaries, as it frees them to focus on the areas in which they can add most value, such as detailed financial planning and personalised customer care.

We firmly believe that success in the future will go to insurers and intermediaries who work together to deliver the relevant and timely information and communications that customers undoubtedly want - and now increasingly demand. And an ideal way to start delivering against this demand is to consider a service-focused upgrade and cross-sell programme.

// With this campaign, our agents have received additional support so they can increase their sales. We have always had sales incentives but never provided a list of prospects, let alone supported a mass campaign. We had never worked with campaigns of this nature before. In such difficult times, this help and support is very well received by agents. It creates more loyalty to the company. //

- Riverside insurance client



5. Unlocking the great hidden value in your insurance customer base - how to get started

Your insurance customers want to receive relevant and helpful information from you. With products that are largely intangible, effective communication enables you to add real value to your customer relationships.

We hope that this Guide has given you a good insight into the great opportunities that effective communication provides for you to build customer loyalty, boost profits and even delight your intermediaries.

// The analysis they perform of your existing portfolio, the suggestions they make in terms of product offerings and appropriate premiums, which, together with the design of the promotional package, guarantee campaign success. //

- Riverside insurance client

If you wish, we'd also be delighted to tell you more about how we at Riverside could work with you to help maximise your success. Our team has developed a unique approach to insurance customer communications that also builds sales and customer retention through

service-based upgrade and cross-sell offers. We've already delivered successful results for over 100 insurance companies in more than 30 countries around the world.

What's more, Riverside always shares in the costs of every programme that we run. So, working with us is a very cost-effective way to get started successfully. We can, if you wish, even help train your own people in how to design and run successful programmes themselves. And if, at any time, you decide that you want to take over managing all the activity yourself, in-house, that's fine too. With Riverside, you'll never find any contractual obstacles to stop you.

If you'd like to know more about working with Riverside, simply contact us - without any obligation or commitment whatsoever.

We'll be delighted to tell you:

- how our unique approach to data analysis delivers the best communication plan for you - using anonymised data only; no names, addresses or other personal customer data required.
- how we adopt your existing product suite to maximise additional sales without new product development.
- how we select communication channels (mail, email, telephone, face to face) based on your customers' preferences and the selected product proposition.

// At Riverside, we believe that every insurance company should be building strong relationships and better business through effective customer communications. Our mission is to help our clients develop their capabilities in the most efficient and profitable way. //

- Alan Mooney, CEO, Riverside

We'll also explain how we share in the costs of every programme we run - often (but not always) through our 10-year partnership with Swiss Re, one of the most respected global reinsurers.



// A Riverside programme is a very effective concept to write profitable risk business in the current macro-economic circumstances. Instead of cost-intensively hunting for new business, Riverside's approach to increase the penetration rate of the existing client base is cost-saving, generates high margins and increases long-term customer loyalty. //

- Ulrich Bernhard, Vice President Client Markets, Swiss Re.

For further information, without obligation

To find out more about how Riverside could help you unlock the great hidden value in your customer base, simply:

- send an email to info@riversidegroup.nl or
- call Bill Gilbert or Alan Mooney at Riverside on +31 (0) 20 218 4170.

We'd be delighted to hear from you.