



The Future of Retention

The key challenge for insurance carriers, regardless of their distribution models, is how to retain a policyholder beyond the initial policy period. After that, losing a customer is a constant worry.

In agency-based distribution, the time-honoured way to approach retention is to reassure the policyholder about the value he is receiving and possibly look for ways to lower the premium paid. Of course, this only works if the policyholder even wants to discuss their policies or bothers to call before switching carriers or moving away.

Part of the challenge when discussing the future of insurance policyholder retention, as well as product retention, is to ask what future models of insurance distribution will look like. How will the concept of retention in the future evolve?

When considering the extension and improvement of today's distribution and retention models, the key factor is knowledge of the policyholder. While this may not sound too earth-shattering, the important distinction to make is between having *information* and having *knowledge*.

Successful insurance carriers are learning how to transform their massive stores of data into cohesive information and, ultimately, knowledge. It is this knowledge that will secure higher customer satisfaction and retention when correctly applied along the customer value chain. This chain begins with a non-policyholder's perception of a carrier and culminates in either a satisfied customer or a dissatisfied stakeholder at the end of the value chain.

Carriers must value their informa-

tion as an asset and manage it just as they would any other form of capital within their organization. It is critical to understand how information is used and managed within a given company, and how it affects current operations as well as future plans.

When considering this approach to managing information assets, two questions arise: Are data being managed over the client's entire lifetime? Can generated and received information be managed to optimize operations and compliance processes?

The second question is especially important in today's "dynamic" fiscal environment with the potential for high impact on carriers from burgeoning national and international regulation. The inevitable pendulum swing to higher and more onerous regulation will require an equally high level of data governance, as well as the management of data source, data quality and data security. Secure data management is essential as a range of stakeholders from board members and other executives to policyholders and service providers require electronic access to data and insurance processes.

Today's data analytics can provide invaluable tools for investigating and extracting data from both internal and external sources. Everyone in the industry struggles to evaluate and react to demographic changes that continually affect the insurance marketplace.

Recent IBM Global Insurance studies have shown that consumers and policyholders are modifying their expectations of insurance carriers and the function of insurance in their lives. Some key

research findings indicate that services convenience, product flexibility and adaptive cross-channel marketing are key factors in retaining profitable customers.

Traditional demographic categories are being stretched or split into new segments. One of the factors having an impact is social media and its cousin, social computing. Which consumers and policyholders make use of these tools and which ones prefer more traditional methods? Answers to these questions sometimes contradict expectations.

The traditional marketing and sales response to retention might have been to run focus groups to confirm or adjust perceptions gained from sales reports. Now, savvy insurers are exploiting business simulation modelling, business analytics and predictive modelling as they work to explore new business models. For instance, how should a carrier handle a household that has a mixture of demographic groups without alienating individuals and growing wallet share at the same time?

And consider the growing adoption of social computing. These new networking tools, such as Facebook, MySpace and Twitter, are beginning to influence people's social behaviour and buying decisions for a broad range of consumers and policyholders. To what extent will they also become a factor in how agents and brokers work in the future?

Will the retention equation, as part of the "insurance value perception cycle," include informal social computing messages across a network of friends, or blog postings that are relevant to the cross-sections of an agent's book?

One thing is certain: improved management of information gathered by the insurance industry, along with the analysis required to turn that information into actionable knowledge are essential for tomorrow's successful and smarter insurance brokers and agents. ☐

JAMES BISKER,
NON-LIFE SOLU-
TIONS EXECU-
TIVE, GLOBAL
INSURANCE
INDUSTRY, IBM.

