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Insurers' six customer care challenges

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This is not the best of times for insurance companies. Annualized life premia sales fell by 23 percent in the first half of 2009 while premium sales fell 20 percent in the first quarter alone. Moreover, policies purchased fell 4 percent in the second quarter.

This is the result of the ongoing downturn in the economy. To better understand the decline, let's examine customer satisfaction trends by looking at data from the American Customer Satisfaction Index and the Financial Services Customer Experience Survey 2008

- 74 percent of insurance customers – higher than retail, cable and satellite TV service, banking, mobile phone service and personal computers – will telephone a call center as the first means of contacting the company
- 26 percent of insurance customers will switch their insurance providers, based solely on one bad experience with a call center
- Insurance customers who are dissatisfied are 40 percent more likely to tell others about their poor experience
- Satisfied customers are 50 percent more likely to listen to a sales offer while dissatisfied customers are twice as likely as satisfied ones to refuse an offer after listening to it.

From the above data, it is clear that customer experience can make or break a deal for insurers. And the need to care for customers as efficiently as possible has never been more critical, thanks to increased competition from newer providers who aggressively use the internet as a channel. As a result, the older – more traditional – players have had to invest significant resources to move to a direct-to-consumer business model as compared to the more traditional channel model which is dependent on third-party brokers or independent insurance agents.

This change is challenging for the channel shift to happen seamlessly. Insurers must overcome six challenges which affect the growth of their businesses

1. **Change in capability** is required to effectively compete in today's insurance market. The more personalized form of business, i.e., the agent model, is no longer the only sales channel. With the advent of the direct-to-consumer model, there is a need to build strong capability to sell insurance through more impersonal channels such as a faceless customer service representative via e-mails or the company's website.

2. **Delivery of consistent customer experience** must occur across all channels. To underscore the point, a senior executive from one of U.K.'s largest insurance companies once told me "Customers don't buy your products; they buy your company's reputation. They are not choosing products but choosing a company." In an environment where a company's reputation is crucial to purchasing decisions, creating a consistent customer experience across an increasing number of channels leads to differentiation.

3. **Rising consumerism -** In an information-intense world, customers are more aware than ever before. They have access to information about a company, its products and competitors at the click of a button. Today's 'enlightened customer' environment leads to increased expectations of customer service. Exceeding expectations in a cost-efficient manner is a daily challenge.

4. **Inefficient processes -** Let's look at an appalling fact – on average, the U.S. insurance industry obtains less than USD 0.01 in profit per USD 1.00 earned on premia due to organizational and operational inefficiencies. One of the largest contributors to this inefficiency is the silo'd departmental data that exists in nearly all insurance companies. Customer care departments rarely speak to sales and marketing, claims processing or policy servicing departments. Another factor that contributes to inefficiency is the proliferation of inflexible legacy systems. These legacy systems – built over decades – seriously impact the quality of customer care. They may

either foster slow response times or screens that do not facilitate a good customer conversation flow, requiring re-asking and re-keying of information. This can be fixed by ensuring system flexibility and integration.

5. **Talent churn -** High talent churn in a call center negatively impacts customer experience and in turn, affects sales. Attrition rates result in significant investment in recruitment and training. A longer-tenured customer service representative is far more productive than a fresh recruit since familiarity with processes and system results in higher efficiency.

6. **Technology obsession -** The right technology enablement makes processes easier for customers, not more difficult, but it is not the answer for all customer contact. For example, interactive voice response and self-service can be beneficial in the right circumstances but are no substitute when customers wants the call answered by a human voice that can assist them immediately.

As insurance companies grapple with liquidity issues and look for innovative ways to grow their business, it is imperative that they do not let customer service suffer. At a recent meeting, I heard several senior executives involved in finance operations pat themselves on the back for increased debt collections even as they admitted that customer satisfaction was compromised.

At the end of the day, it is important to realize that satisfied customers are a company's backbone. The positive experience with an interaction with an insurer will be only too happily shared with others, thereby strengthening a company's reputation for customer-orientation and reliability. Smart insurers focus on the six customer care challenges, looking at a range of ways to change the operating model to ensure satisfied customers.

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