

WHITE PAPER



Acquire With Retention in Mind

Identify the right prospects at the outset to
grow profitably.

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Executive Summary

The U.S. insurance marketplace continues to be highly competitive. As carriers vie for an increased share of the market, the pressure to implement effective acquisition and retention efforts escalates—and with good reason. Policyholder attrition can significantly affect carrier profitability.

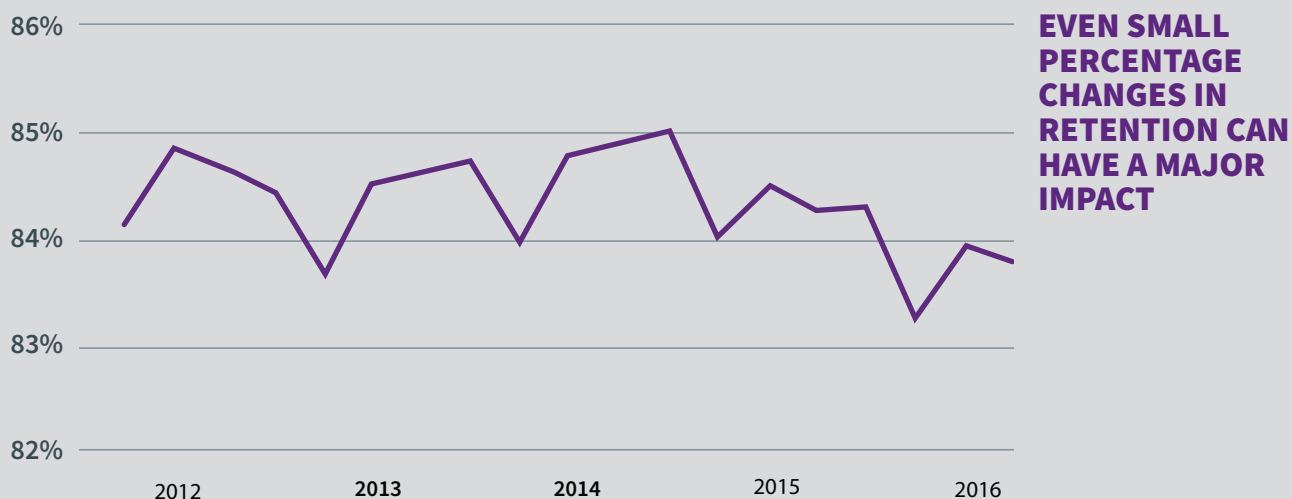
When policyholders switch companies after only being on the books for a short period of time, carriers scramble to recoup their original acquisition cost. Industry-wide research carried out by LexisNexis Risk Solutions confirmed that carriers are well aware of the impact of eroding retention rates. It's much more profitable to retain and defend existing clients than to acquire new ones. In fact, the research suggests it can take as many as seven new policies to cover the value of one tenured policy.

Acquiring with retention in mind is the solution to fortifying retention rates and avoiding unnecessary policyholder churn that can eat away at profits. But, how can carriers accomplish this? By gleaning and applying key insights and intelligence that lead to identifying—and keeping—the right prospects, carriers can eliminate unnecessary acquisition costs and create a more stable and profitable book of business.

A Common Problem—Capturing and Keeping the Right Customers

In today's highly competitive insurance marketplace, carriers in every line of business are faced with the ongoing problem of attracting and retaining the right customers. These days, customers have more choices than ever before, and it's not unusual for them to switch carriers several times in their lifetime—a behavior that can seriously erode profitability.

US Insurance Industry Trends – Quarterly Retention Rates



(Source: LexisNexis Proprietary Data)

Not only do carriers lose profits when they lose revenue from policyholders who change carriers, but the expense of acquiring new customers can represent a big hit to the bottom line. It is much more costly to capture a new customer than it is to keep an existing one. Carriers are continually challenged to develop campaigns and programs that are effective at identifying, attracting and retaining the right customers for their business—customers that represent a higher lifetime value.



Acquire with Retention in Mind – Identify and attract prospects who are more likely to be longer-term customers with high lifetime value and are more likely to be retained.

What Carriers are Doing and Why it Does Not Always Work

Carriers address this challenge in a number of ways, ranging from rudimentary lead vetting through the home office to employing highly sophisticated predictive models. Some carriers leverage third-party data to supplement in-house information and use that data to aid in targeting and segmentation. Then there are carriers that solely rely on their agents to determine lead prioritization and routing.

Whatever the methodology, there are inherent problems. For example, third party data may not be insurance-specific, and so it lacks the necessary relevance and detail that insurance carriers need to really gain an edge on the competition. Agents may employ a variety of methods to determine lead value. Some may rely on their intuition, experience or in-house models to determine lead potential. It could result in agents overlooking, under-servicing or failing to convert high value leads. Conversely, low value leads could be over-serviced or prioritized and should they convert into customers, may lapse at the first renewal.

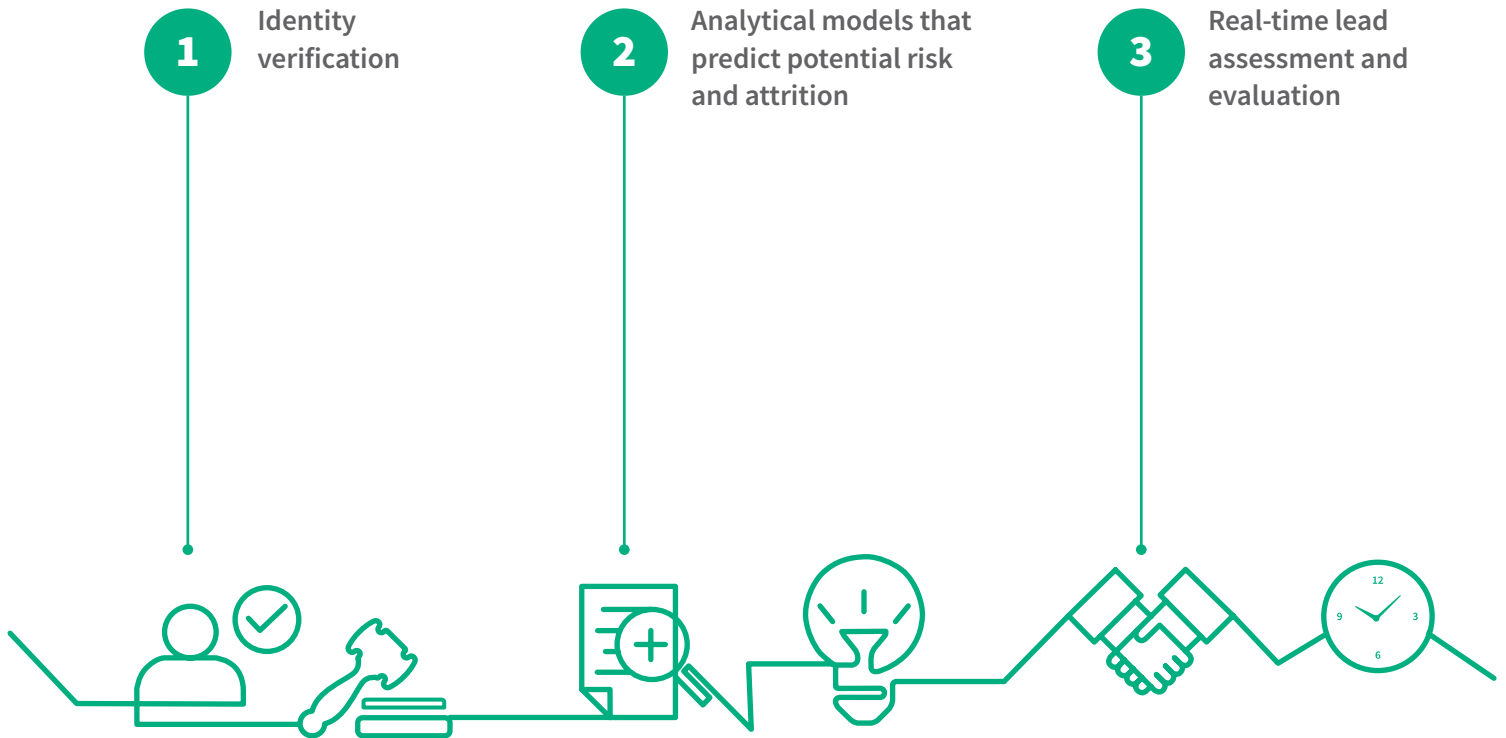
In the era of Big Data, when a plethora of information about customers and prospects is literally at a carrier's fingertips, identification and evaluation can seem so difficult.

However, in carriers' defense, identifying, attracting and retaining quality policyholders is a justifiable challenge that exists across the industry. Because of our unique insight into the insurance market and advanced analytic capabilities, LexisNexis Risk Solutions has established that the road to acquiring with retention in mind is sign posted. We have identified three key indicators that can help carriers predict who is a good and potential long-term customer and who is not. Focus on those indicators, and watch your acquisition and retention efforts pay off.



Indicators That Can Point You to the Right Prospects

The critical factor in effective acquisition and retention efforts is engaging highly predictive, insurance-specific intelligence at the point of prospecting. Doing so allows you to more accurately determine a prospect's retention potential. LexisNexis Risk Solutions has identified the following three key indicators that measure this potential:



Identity verification affirms the integrity of the prospect's identity-related data.

More complete and accurate identities are indicative of higher-scoring prospects who are more likely to convert and remain with the company as long-term policyholders. Identity verification confirms the following criteria:

1

Is the prospect an actual person?

Is the prospect an existing customer?

Are all the contact points factual and reliable?





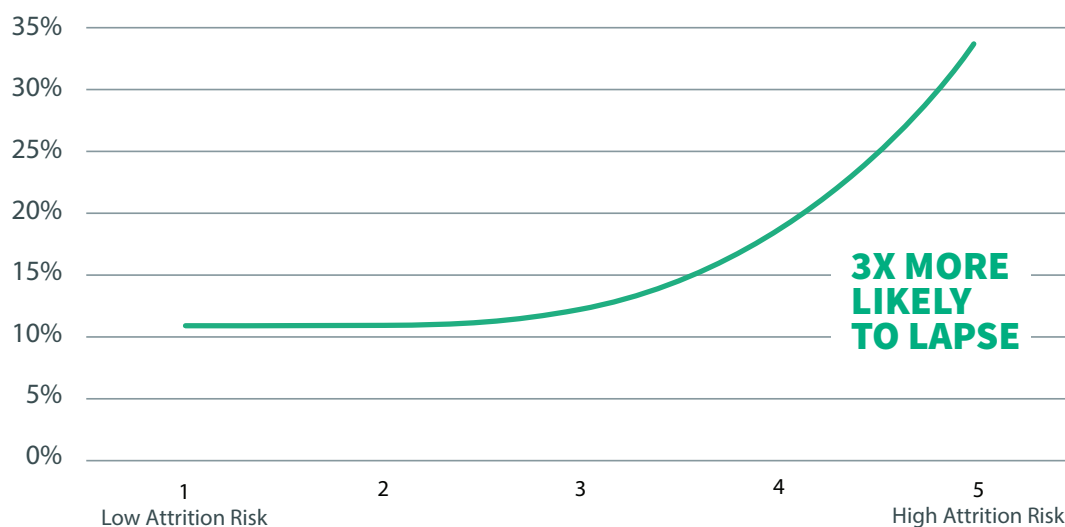
Advanced analytical models that predict risk and the likelihood of attrition have proven to be highly predictive in terms of identifying prospects who are more likely to be retained beyond the first renewal period.

Insurance-specific analytic models are proprietary models based on demographic data such as gender, home ownership, length of residence and the number of moves in recent years, combined with financial data such as wealth, income, bankruptcy and number of open trades.

2

Attrition Score Quintiles for Life Policies

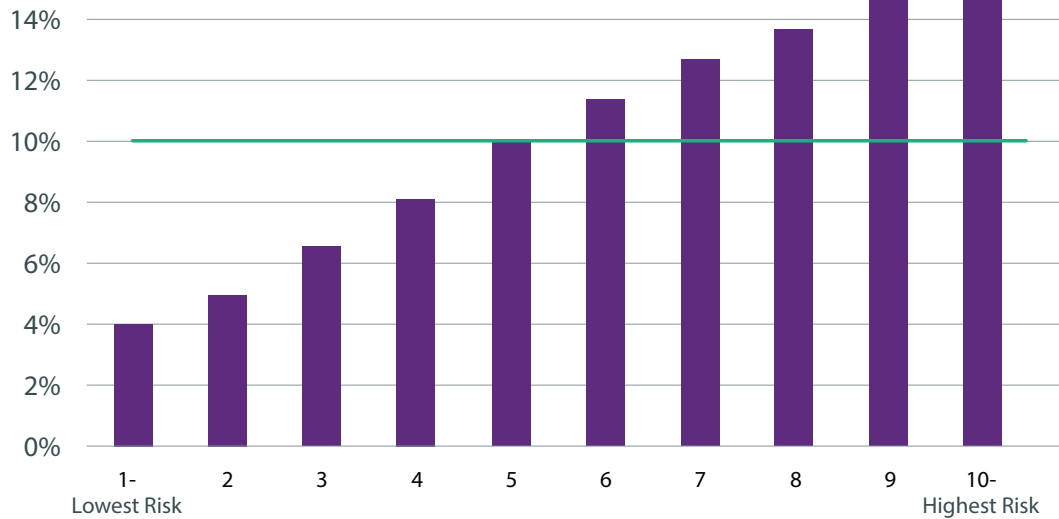
Policies identified as high risk were 3X more likely to lapse than low risk policies



(Source: LexisNexis Proprietary Data)

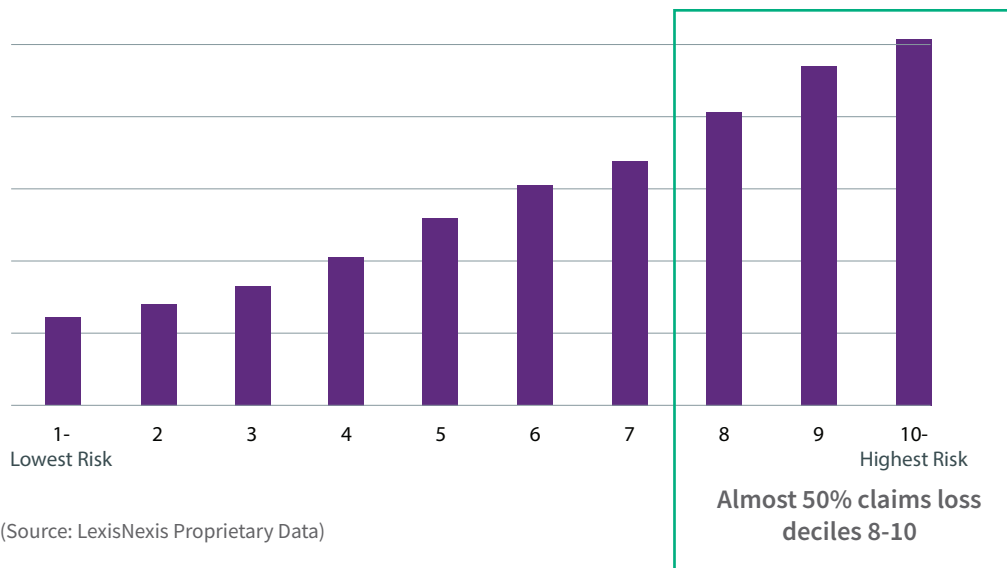
First Term Attrition Score for Auto Policies

Policies identified as low risk were more likely to be retained beyond the first renewal period



(Source: LexisNexis Proprietary Data)

Auto Risk Score is highly predictive of claims loss

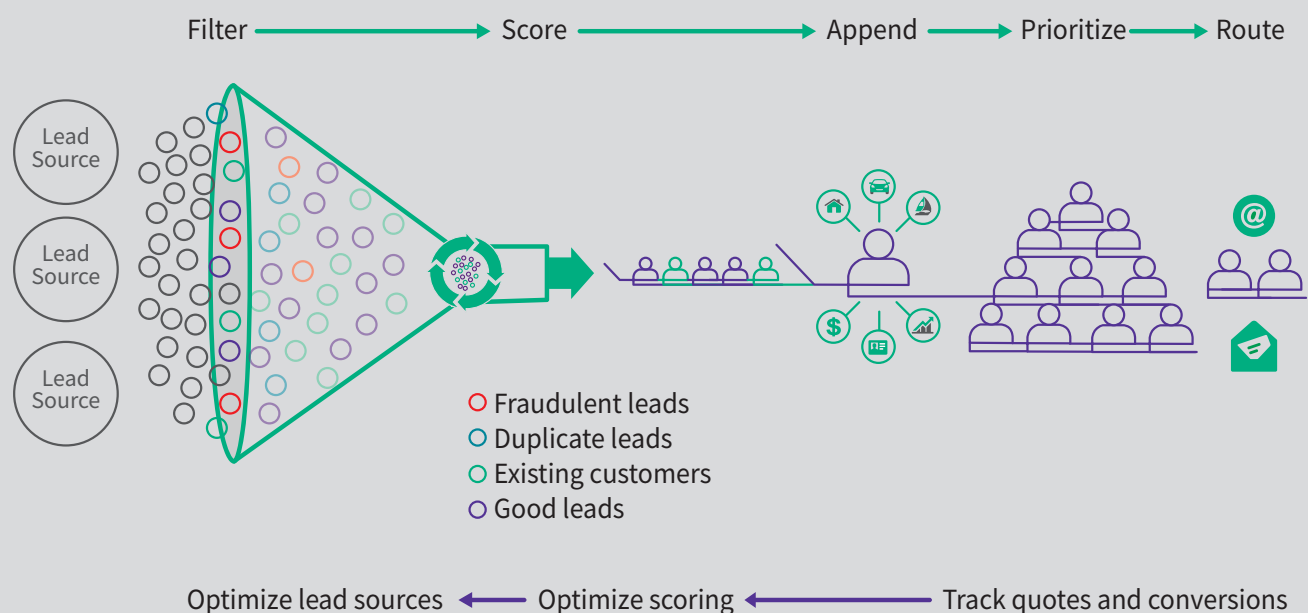


(Source: LexisNexis Proprietary Data)

Real-time lead assessment and evaluation provides a window into a prospect's policy-related behavior in real time.

The immediate identification of a high-scoring lead enables a carrier to prioritize and route the lead accordingly. The result is a higher degree of customer satisfaction from the outset, which can translate into long-term customer retention.

3



Identify and Attract the Right Prospects

LexisNexis Risk Solutions offers a suite of acquisition and retention solutions built around these three key principles:

- **Identity verification**
- **Analytical models that predict potential risk and attrition**
- **Real-time lead assessment and evaluation**

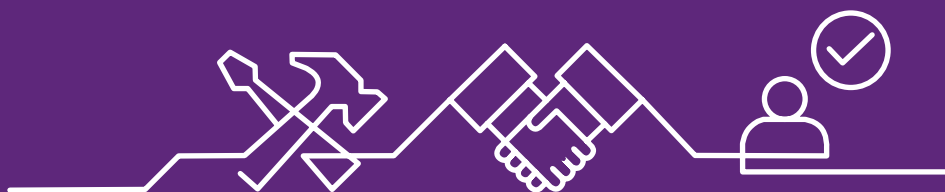
These principles enable carriers to identify, attract and retain the most valuable policyholders through compelling, data-driven marketing programs.

Insurance-specific and advanced analytical models enable insurance marketers to make more informed, data-driven decisions that align with market opportunities and organizational risk appetite:

- Having insight of an individual's risk profile can help identify and eliminate prospects who do not align with carriers' risk appetite so you can focus your marketing efforts and resources on those prospects who do align with your risk profile.
- Insight of the relative ranking of an individual's attrition profile for the relevant line of business can be a powerful predictor of a prospect's likelihood of being retained beyond the initial renewal period.

Lead evaluation and assessment tools, which assess and score insurance leads in real-time based on the propensity for prospects to request a quote and purchase insurance, can prove indispensable for the well-informed insurance marketer.

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Conclusion: The Right Data and Robust Analytics Can Make the Difference

Current market conditions continue to be challenging. While insurance shopping rates have stabilized, recent LexisNexis Risk Solutions data reveals that the percentage of policyholders that have not shopped their auto insurance in the last five years has fallen to just one in four. The proliferation of channels and the ease with which consumers can comparison shop puts pressure on retention rates. On average, nearly one third of policyholders will switch before the end of the first term, well in advance of a carrier's ability to recoup the acquisition cost.¹ Meanwhile, life insurance carriers are confronted with challenges unique to their market. The Insurance Barometer Study, jointly conducted by the Life Insurance and Market Research Association and Life Happens, tracks the perceptions and attitudes of US consumers in regard to life insurance.

Highlights of the 2017 study included a call from consumers for easy-to-understand products (83%) and a 'faster sign-up process' (51%). Many consumers overestimate the cost of life insurance, which leads to insufficient coverage. While 85% of respondents agree that most people need life insurance, the reality is much fewer, only 59% have coverage.

Acquisition with retention in mind is a critical business imperative. LexisNexis Risk Solutions endorses a longer-term, qualitative approach at the point of marketing. This philosophy, incorporating the right data and robust analytics, complementary to the insurance-specific approach at the point of underwriting, can deliver improved business outcomes for the organization.

1. Source: 2018 LexisNexis Proprietary Data



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Sandeep Kharidhi leads Product Management for Acquisition and Retention products at LexisNexis Risk Solutions. In this role, he is responsible for managing solutions that enable insurance carriers to acquire new customers and retain and grow existing policy holder relationships. Previously, Kharidhi served in executive roles for over 18 years with several firms including ChoicePoint, Acxiom, Merkle and Harland Clarke. Kharidhi's expertise is in marketing strategies, analytics, campaign attribution and optimization. He is a frequent speaker at industry conferences and has previously been a member of several trade groups. Kharidhi completed his graduate studies at the University of North Carolina in Charlotte with a master's degree in Computer Science with a focus on data mining and artificial intelligence. Kharidhi actively volunteers in the local community and is a board member of The Empty Stocking Fund.

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About LexisNexis Risk Solutions

LexisNexis Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX Group (LSE: REL/NYSE: RELX), a global provider of information and analytics for professional and business customers across industries. RELX is a FTSE 100 company and is based in London. For more information, please visit www.risk.lexisnexis.com, and www.relx.com.