White Paper

Don’t Be the Last to Know:

Engaging and Retaining Customers with Active Risk Management

June 2015

LexisNexis®

Risk Solutions
Insurance

Why does anyone buy insurance?

Insurance is powerful

Before we examine customer retention, we must first answer the seemingly obvious question: why does anyone buy insurance in the first place? While some types of insurance are compulsory, many insureds increase coverage beyond the minimum to protect their assets, earnings and loved ones. Insurance rebuilds after a storm, restores our ability to travel and work, keeps our businesses open and eases our financial burden at the time of personal or commercial loss. Without insurance, our individual and collective economies would be in jeopardy with every adverse event. Insurance is incredibly powerful and impactful to our society, and we all benefit by ensuring that the maximum number of insureds are adequately covered.

Billions of reasons to shop insurance

Retaining the right risk is hard in a competitive industry

Every year insurance companies spend more than $6 billion in advertising primarily trying to convince potential customers to switch insurers. Sophisticated marketing techniques allow insurers to match offers with well-defined, segmented target markets, effectively increasing shopping rates. But customer acquisition for one insurer almost always results in lowered retention in another insurer, making it harder to retain the right risk.

Fortunately, Active Risk Management enables insurers to better understand what's happening within their book of business so that insurers can focus their retention strategies on their most valuable customers at the time when these customers are most likely to shop and switch.

Better coverage through active engagement

Knowledge is power

Coverage needs are connected to dynamic variables like moving, changing jobs, having kids, new drivers and vehicles, and many others. As household dynamics change, so do the needs and expectations of policyholders. The problem is, insurers usually don't know how these changes affect their coverage needs until it's too late.

When insurers have insight into their policyholders they can proactively, and selectively, engage the policyholders to ensure that their coverage and services address their specific needs.

Fact:

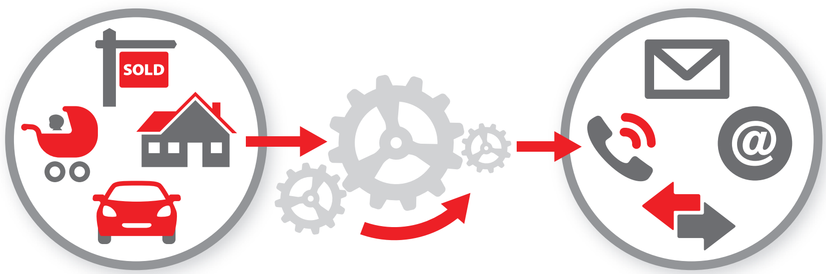
Consumers scored an average of **40%** on a quiz designed to test basic insurance IQ.[1]

Predicting customer needs and expectations

"Active Risk Management" is a new phrase emerging in the insurance industry describing the ability to monitor the entire book of business. To accomplish this, the industry must be able to proactively engage policyholders as their risk profiles change to ensure optimal service, coverage and pricing.

Specifically, Active Risk Management is the ability to:

- Collect a wide range of data about customers from multiple database resources, including public records, contributory insights and proprietary data.
- Analyze the data to identify and anticipate changes about the risks in the household.
- Take proactive steps to correct the premium and coverage assigned to the risk to accurately reflect the current situation.



Demonstrating Active Risk Management

LexisNexis® market analysis reveals that moving residence increases personal insurance shopping by 32%

As an example, the Smith family receives some great news: Susan Smith has just accepted a new job with a significant pay increase. This gives the Smith family an opportunity to sell their current home and buy a larger one with a detached workshop where her husband, Greg, can store supplies for his home repair business. With this move, the Smiths will soon be updating or switching their auto, home and commercial policies. Additionally, they may change their life policy, since 60% of all life policies are purchased or updated within 90 days of moving.[2]

Susan and Greg may shop around for a better price on their policies that protect their home and family. They may research multiple carriers to get competitive rates and opinions about their insurance coverage before calling their existing carrier. Unfortunately, the Smiths' current insurer is unaware of these events or the impact they are about to have on the client-carrier relationship.

With Active Risk Management, the Smiths' insurer is automatically notified when the Smiths' home is listed for sale, allowing them to proactively engage Susan and Greg as a helpful advisor. This engagement may preempt or even prevent the Smiths from seeking alternative coverage providers in addition to increasing the chances that Susan and Greg will remain loyal customers and potentially expand their coverage.

Implementing Active Risk Management

Massive resources deliver the most relevant, proactive service

LexisNexis helps insurers proactively monitor their book of business and engage policyholders to increase retention. By gathering, storing and analyzing data from tens-of-thousands of sources, LexisNexis identifies relevant attributes, providing insights into events as they occur. Insurers can then choose to be alerted to events based on the magnitude of the impact on their book.

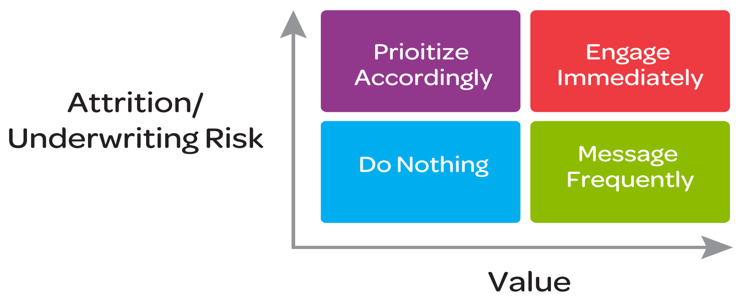
As insurers realize the value of Active Risk Management they can expand their tactics to optimize the effectiveness of their active insights program. By focusing efforts on the policies and transactions that generate the biggest returns insurers can:

- Retain more customers
- Grow their relationships with existing customers
- Improve loss ratios
- Reduce operating expenses

Conclusion

The Active Risk Management approach empowers carriers to maximize profitability, retention and customer satisfaction while utilizing time and resources more efficiently. Understanding and proactively addressing a consumer's changing risk needs can transform a carrier from a reactive entity into a valuable advisor that proactively helps their customers protect their assets.

The graphic below shows how decisions can be made based on the levels of attrition and underwriting risk weighed against the value of the customer.



By receiving actionable information at a time when it is most relevant to the situation, carriers can focus their efforts on the most valuable customers that post the most immediate risk, while choosing an appropriate course of action for other customers on their book of business.

For more information:

Call 800.458.9197 or email
insurance.sales@lexisnexis.com

[1] Source: National Association of Insurance Commissioners (NAIC), 2010a, New NAIC Insurance IQ Study Reveals Americans Lacking in Confidence, Knowledge of Insurance Choices. Press Release April 6. http://www.naic.org/Releases/2010_docs/iiq_new.htm.

[2] Source: LexisNexis Market Analysis 2014