



Persistency - Voice of Customer

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Persistence – Everyone has a view

Need-based Insurance buying can help maintain Persistence

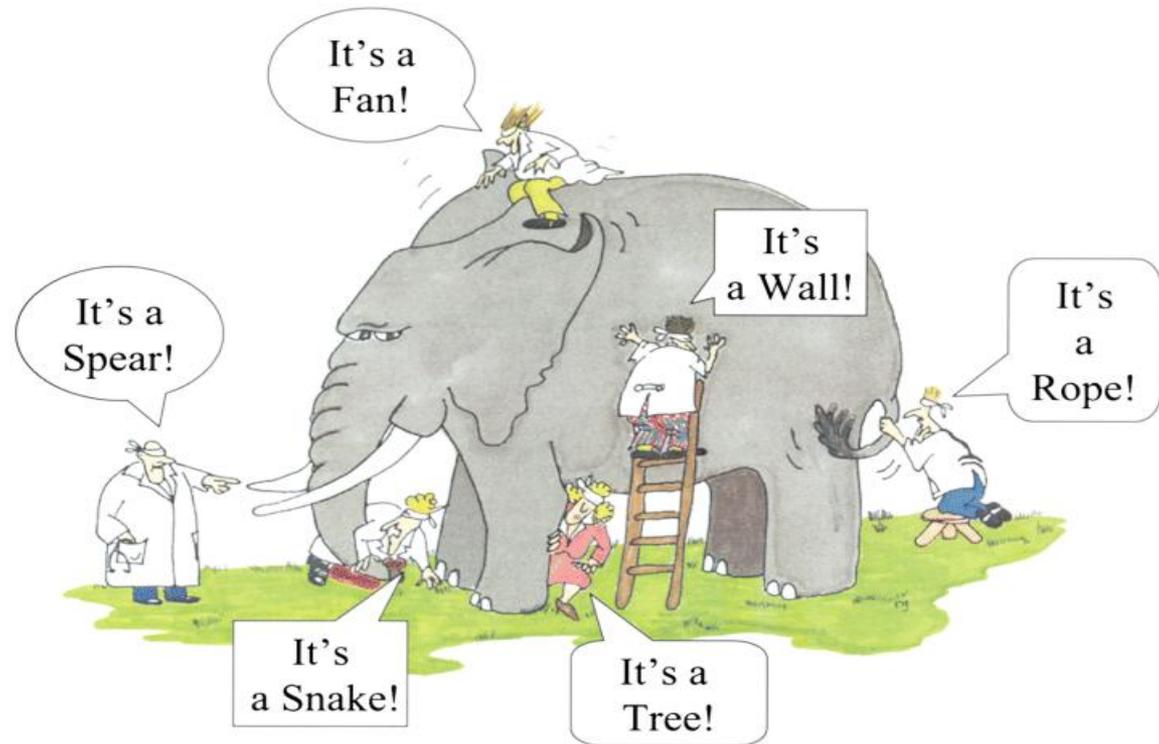
LIFE INSURANCE PERSISTENCY GOOD IN FIRST YEAR, NOT IN THE LONG TERM

Pay your Insurance premium regularly

NAIC issues guidelines for Persistence of Life insurance policies

Why is comparing persistency difficult?

Private life insurers focus on renewals to increase profitability



But have we asked customers?...Or are we speaking on their behalf?

Is it leading to identification of wrong problems...hence wrong solutions?

Agenda

Common thoughts on Persistency And the Voice of Customer ?



Are we
listening to the
customer?

Persistence - Common Thoughts

Thought #1

Lapsed Customers mis-sold and so not willing to pay

A faint, grayscale background image of a fountain pen lying diagonally across a document. The document has some text and a large number '0' visible. The overall image is semi-transparent and serves as a decorative background for the lower half of the slide.

Voice of Customer

An array of reasons influence non-payment of renewals

In a latest customer feedback program it was found that **majority of the customers** did not pay renewals **due to reasons other than perceived mis-selling**

Customer
Says

"I was told to pay only for 3 years"

"My money isn't growing, so I won't pay any longer"

"I have a deep financial constraint, so won't continue"

"I was sold forcefully and bought it under obligation"

"I will not pay renewal because of poor services"

"I am going through a temporary financial problem – need flexibility"

Voice of Customer

Lapsed customers have varying level of willingness to pay renewal

A recently conducted study on lapsed customers identified **three major propensity segments**



Forgot to Pay

Customer was not contactable
e.g. went out of town, changed
address etc.

Customer was busy

Collection process not smooth

No one reminded to pay
renewal premium



Can't Pay

Medical Emergency

Marriage

Unemployment

Seasonal/ Insufficient Income



Won't Pay

1. **Misled** (e.g. product sold as 3yr pay/ as a FD)
2. **Poor Fund performance**
3. **Unhappy with services**
4. **Switched on recommendation**

High

Willingness to pay

Low



Personal Reflections



- People lapse for a variety of reasons
- Do we **ask** customers ... and do we **listen** to customers carefully ... to understand more ?
- Framing the problems as **customer insights** – “forgot to pay”, “can’t pay” , “won’t pay” -- helps?

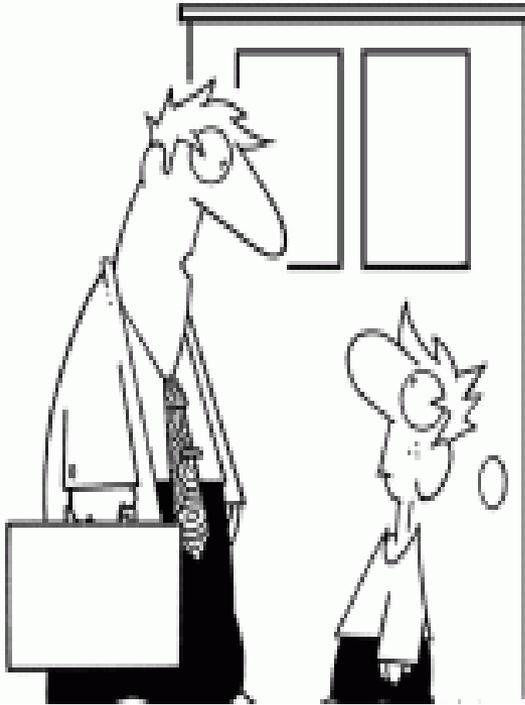
Persistence - Common Thoughts

Thought #2

Customers only chase returns



Market moves don't impact core needs



*“ Sorry son, I can't afford
to send you to college
when you're older...
the markets fell by 10%
this year ! ”*



Voice of Customer

Strong emotional connect hugely impacts strength and length of bond with customers

Analysis confirms that policies with clear “Need based” pitch like Child Plans are less likely to lapse ... also if the customer bought from a Trusted Advisor/Banker - a stronger emotional bond

According to a recent study – emotionally engaged customers are atleast

3x

More likely to
re-purchase

3x

More likely to
recommend

45%

Such customers said
they rarely shop around

Gold and Real Estate are also relevant examples of emotional connection - where the value may go down temporarily but the customers still hold on to them.

Personal Reflections



- Do customers understand **what** they have bought and **why**?
- Is the customer pitch based on “**returns**” or fulfillment of a **long term “need”**?
- Are we setting the **right expectations** at point of sale?
- Do we keep **the customer** at the core?
If I were a customer, would I like this experience?

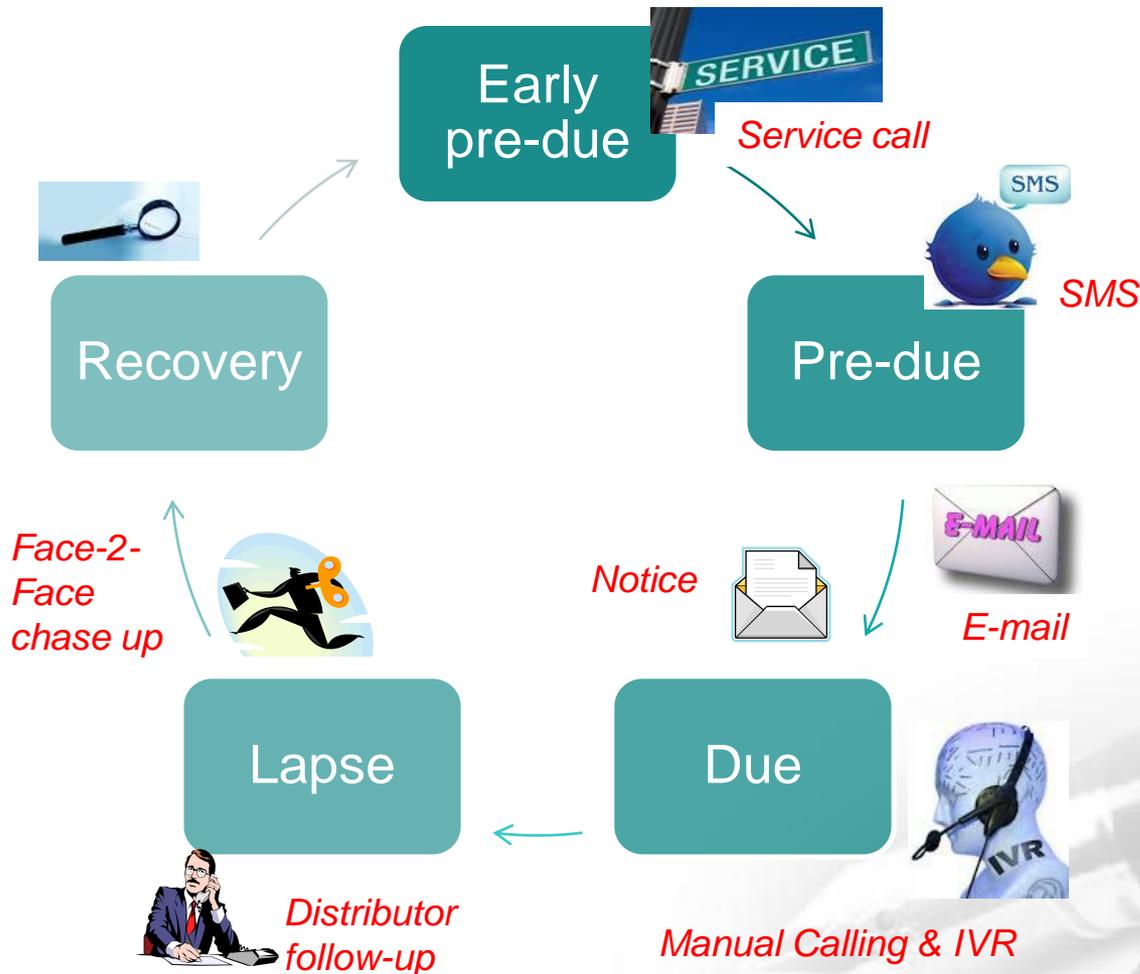
Persistence - Common Thoughts

Thought #3

The Persistence team is best equipped to chase customers for renewal premium

A fountain pen is shown in the lower right corner of the slide, resting on a document. The document has the word "SALES" printed on it. The background of the slide is a light, faded image of a document with a grid pattern.

Common Solutions



Should we?

- Outsource renewal calling to “experts”
- Throw more warm bodies on it / do more calls per customer
- Send more SMS
- Increase variety of contacts (email, mailers etc.)
- Sweeten the collection process e.g. waive medical costs, discount for paying promptly, waive late payment fees?

Voice of Customer

Continuous engagement needed during the customer life cycle

Findings of a customer research verify that customers expect Insurers to **recurrently engage** with them and customers also rated regular update on **renewal as most vital information**

Customer Says

"You only contact me when you want me to pay premium"

"I could have arranged for the premium if you had reminded me earlier"

75%

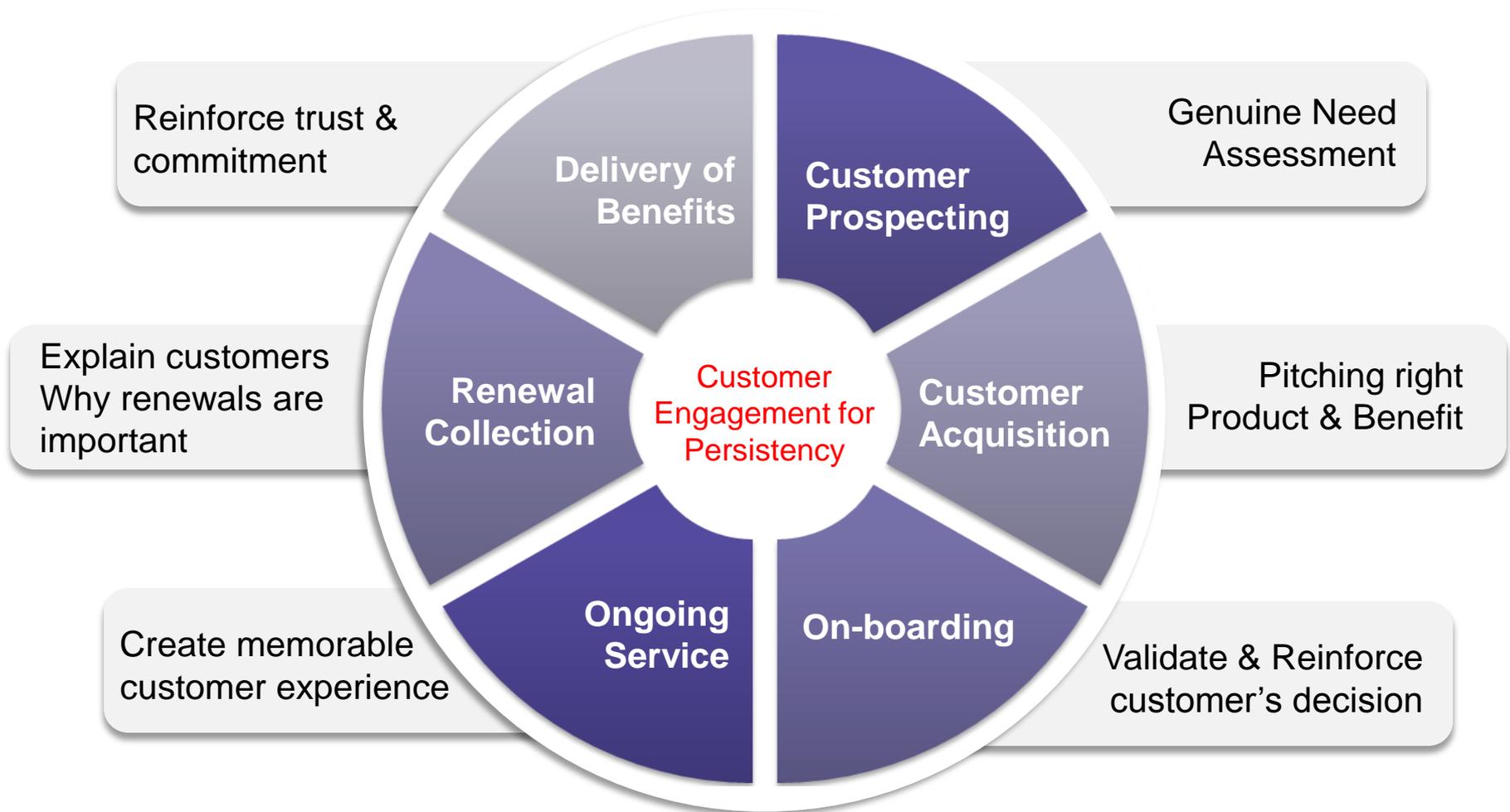
Customers expect constant engagement

45%

Customers said renewal info - most vital



Engagement - Customer Life Cycle



Engage with Customers across Customer life-cycle

Personal Reflections



Customers are buying –

- “ Peace of Mind ” and hence **need regular re-assurance** that they’ve made the right decision
- a **service (advice)** and not just a product
- a long term product and **expect** a long term relationship

Persistency - Common Thoughts

Thought #4

Persistency – Only impacts financials



The impact is much broader

**Persistency depicts a company's ability to retain its customers...
so it is the best measure to gauge a company's credibility**



Lapsed customers
send wrong message
which adversely
impacts reputation of
the company & industry



Analysts & strategic
investors closely assess
the source & quality of
profits...not just the
quantum of profits



Reputational risk for
distributors if denied
renewal of license due
to poor persistency

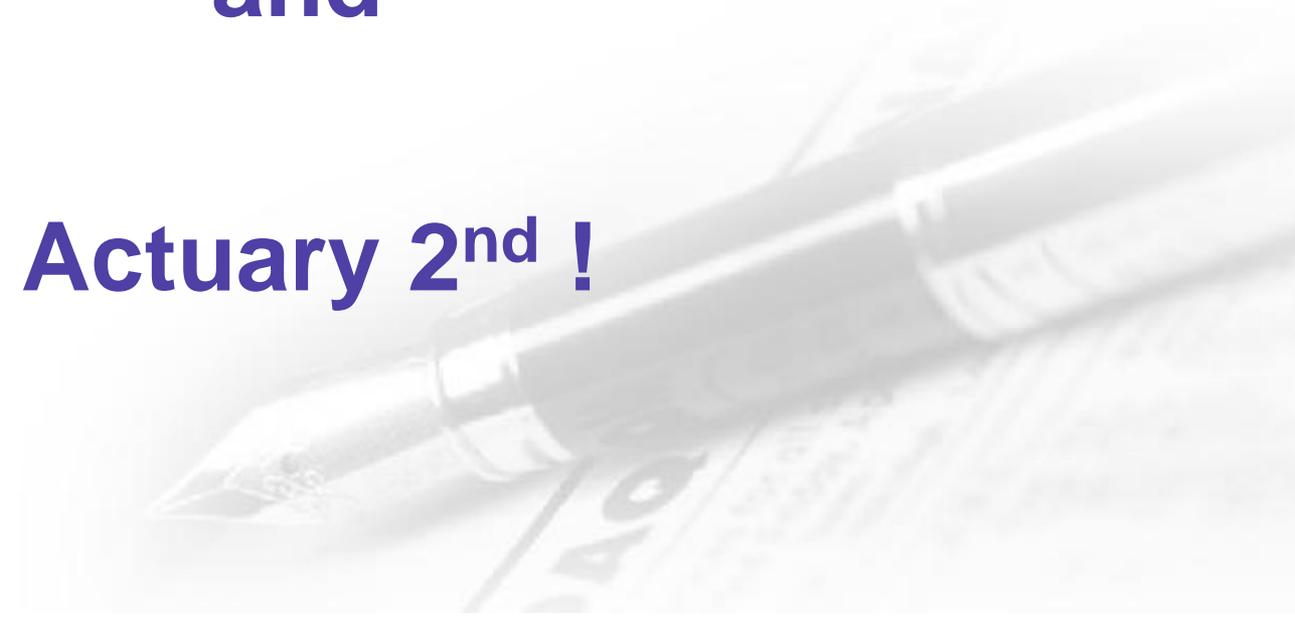
Personal Reflections



Think Customer 1st

and

Actuary 2nd !





Thanks

Question & Answers

