One Customer

Understand - Engage - Retain

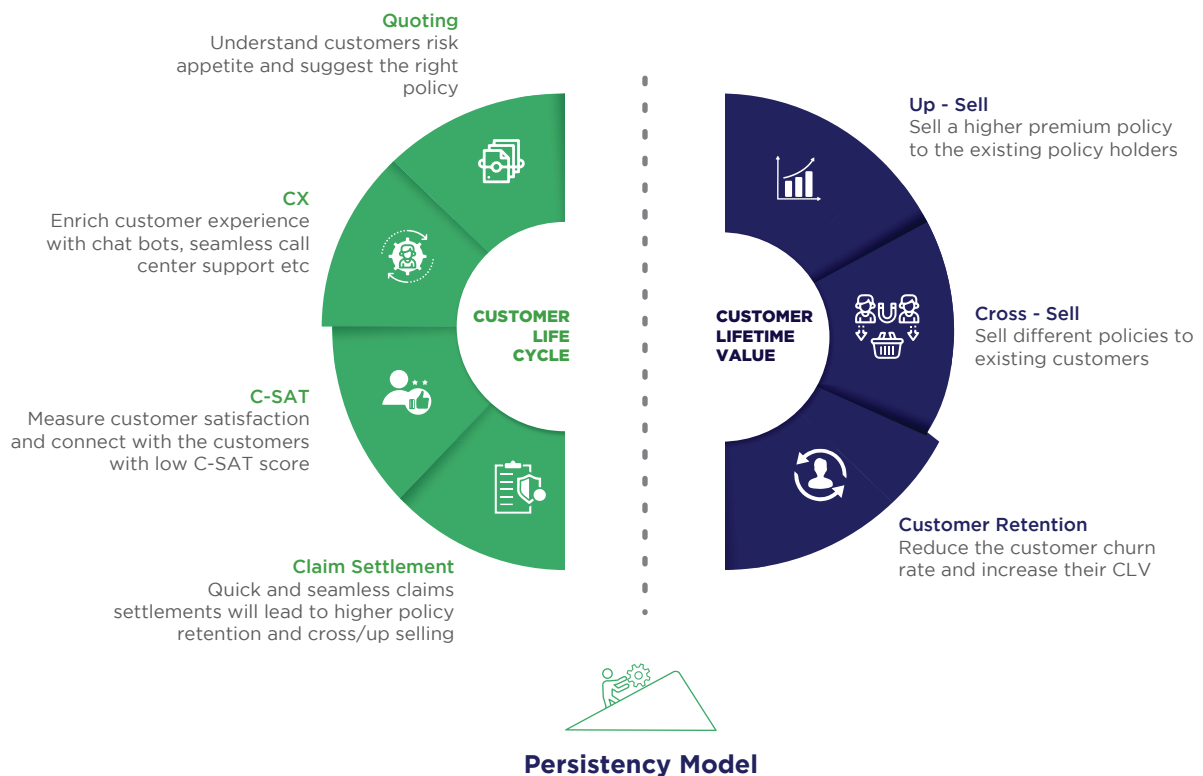**Persistency Solution**

quantiphi

What's inside

Introduction

## Defining Persistency in Insurance

Persistency has often been referred to as the volume of business that a company retains for an insurance product. But nowadays, it is more about improving the customer experience throughout their journey, increasing the customer lifetime value, and enhancing renewal probability.

CUSTOMER LIFE CYCLE

Quoting
Understand customers risk appetite and suggest the right policy

CX
Enrich customer experience with chat bots, seamless call center support etc

C-SAT
Measure customer satisfaction and connect with the customers with low C-SAT score

Claim Settlement
Quick and seamless claims settlements will lead to higher policy retention and cross/up selling

CUSTOMER LIFETIME VALUE

Up - Sell
Sell a higher premium policy to the existing policy holders

Cross - Sell
Sell different policies to existing customers

Customer Retention
Reduce the customer churn rate and increase their CLV

Persistency Model

Key forces driving the need for persistency

The US market, which is considered to be the barometer for global insurance markets is witnessing a decline in life of policies and high policy lapsation rates. This has been compounded by a spike in claim rates, looming economic uncertainty, and falling profitability. Moreover, these pressures come at a time when the industry is grappling amidst the economic crisis and customer expectations are rapidly evolving. As a result, customer retention has become a major challenge for businesses.

While insurers' focus primarily on adding new customers, they tend to neglect customer retention, which costs 80% less than acquiring new ones.*
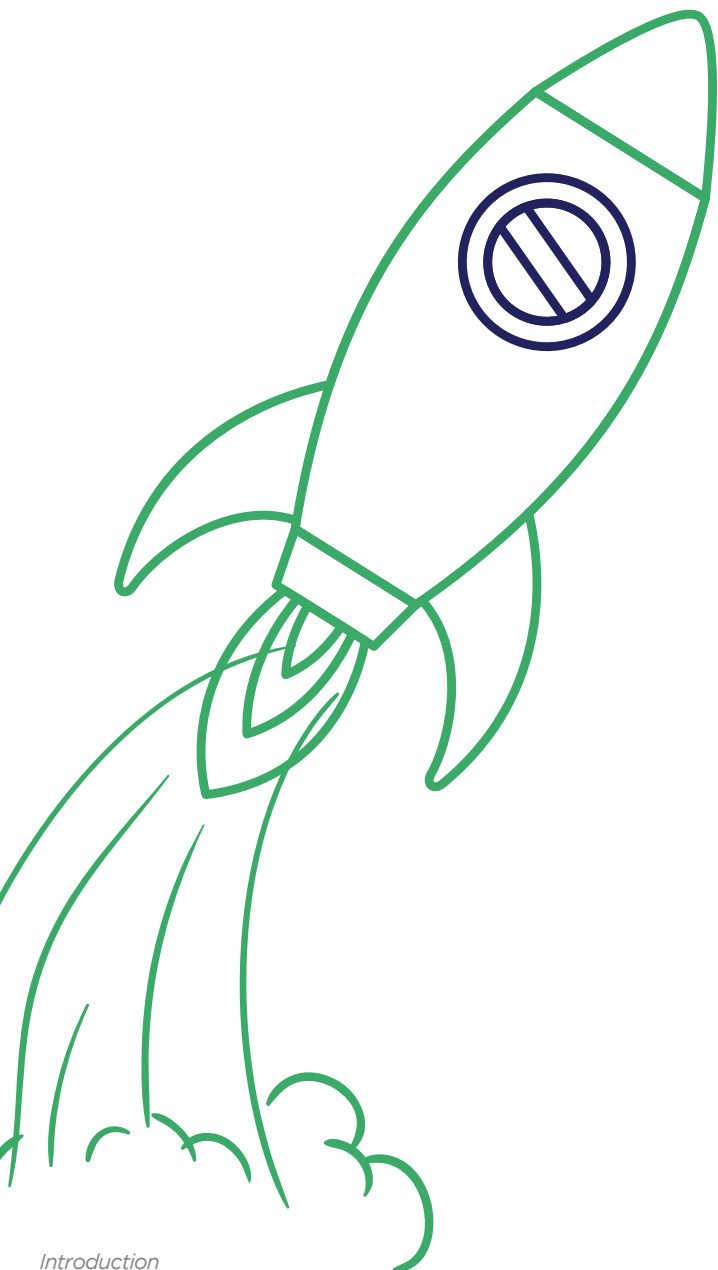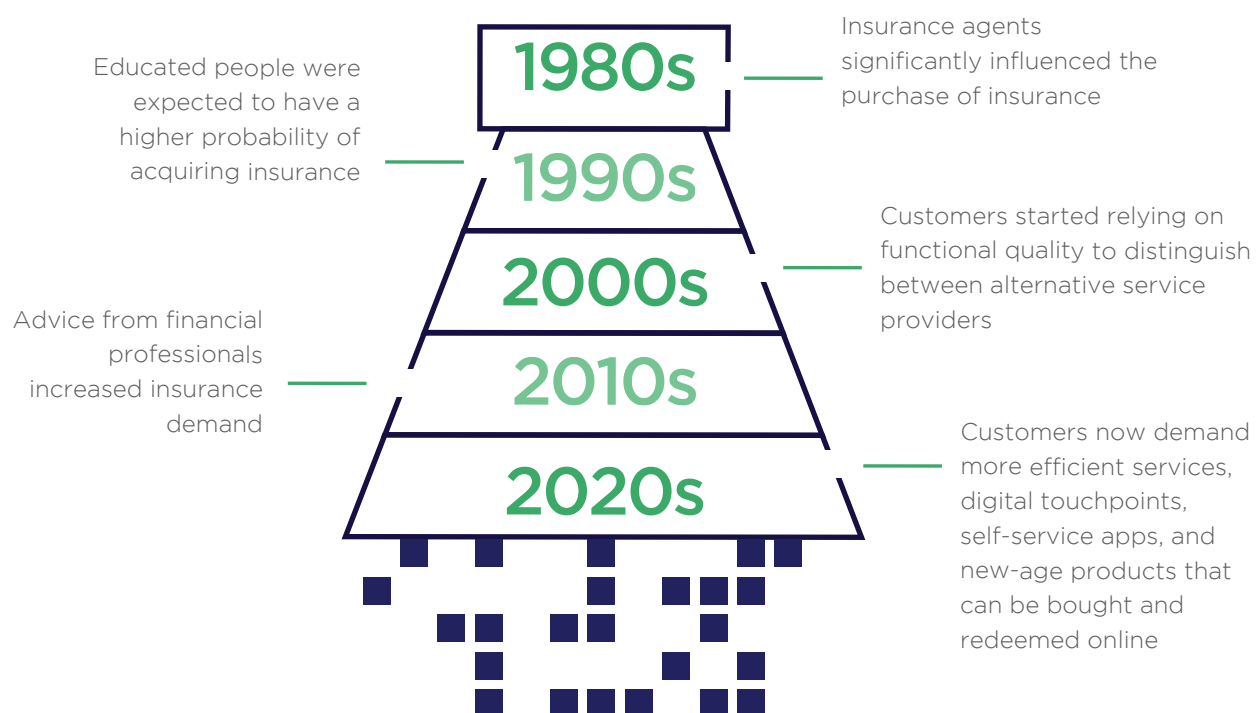
Improved economic conditions can only partially address the underlying issues and waiting for an industry-led solution may not leave insurers with much of a business to save. Sustained success will only come by enacting a significant, proactive productized solution that can accelerate an insurer's journey towards a customer-centric organization. A solution that can help in building a proactive customer relationship with a sharp focus on mitigating factors that cause a high propensity to churn among existing customers.

Evolving customer needs and expectations

Most companies in the insurance industry have already started revamping their products and services to meet changing customers' expectations.

The industry is evolving significantly and changes in customer behavior are causing a fundamental shift in the insurance distribution models. Consumers are increasingly embracing digital channels and their experiences with leading service providers have also raised their expectations when buying insurance policies. Here's a sneak peek into the changing customer behavior over time.

1980s — Insurance agents significantly influenced the purchase of insurance

Educated people were expected to have a higher probability of acquiring insurance — **1990s**

2000s — Customers started relying on functional quality to distinguish between alternative service providers

Advice from financial professionals increased insurance demand — **2010s**

2020s — Customers now demand more efficient services, digital touchpoints, self-service apps, and new-age products that can be bought and redeemed online

A seamless, consistent, and enhanced customer experience across all touchpoints is now the standard that all companies must strive to meet to retain customers. It's imperative for insurers now to have tools which help them in having an in-depth understanding of their customers, enabling hyper-personalized engagements effectively, improving customer experience and thereby the lifetime value of customers.

Reimagining engagement with customers
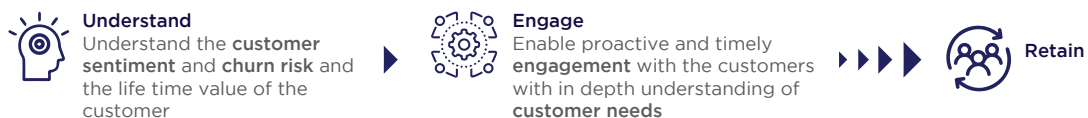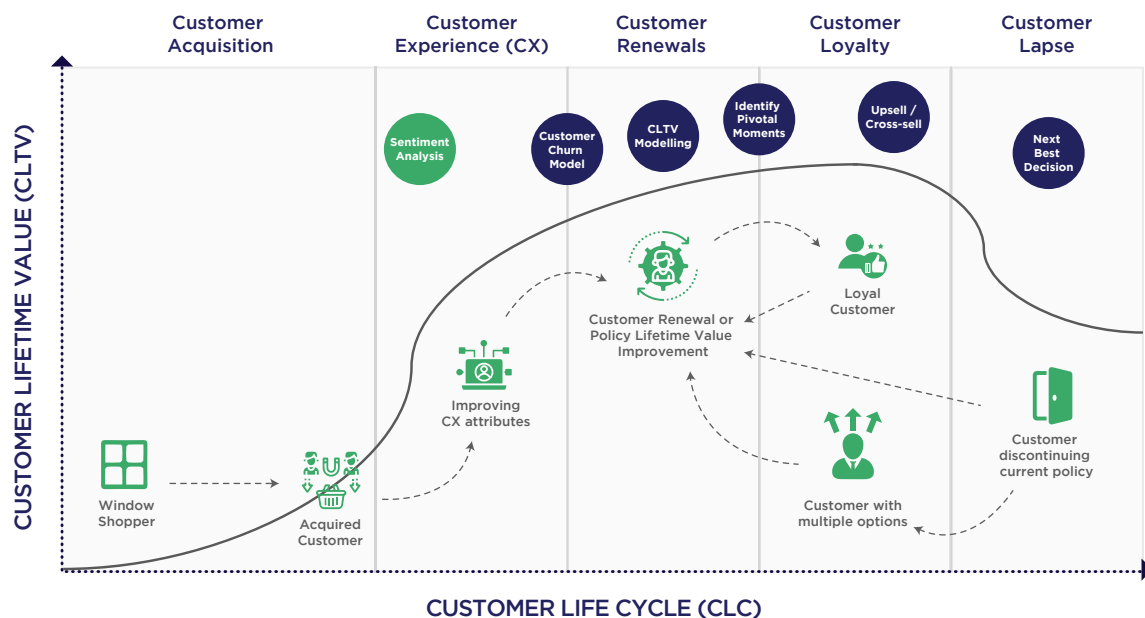
Harnessing AI across the customers journey from Product Discovery and Quoting to Claims and Policy Renewals will ensure a superior customer experience throughout the life cycle of the customer, thereby increasing renewal probability and lifetime value.

Enter
OneCustomer

Introducing a platform designed by Quantiphi directed towards the insurance industry to reimagine engagement with their customers in the right way. **OneCustomer uses AI and Machine Learning to effectively Understand and Engage with the customer to improve it's experience throughout the lifecycle, thereby increasing customer lifetime value and renewal probability.**

Framework

Understand → **Engage** → **Retain**
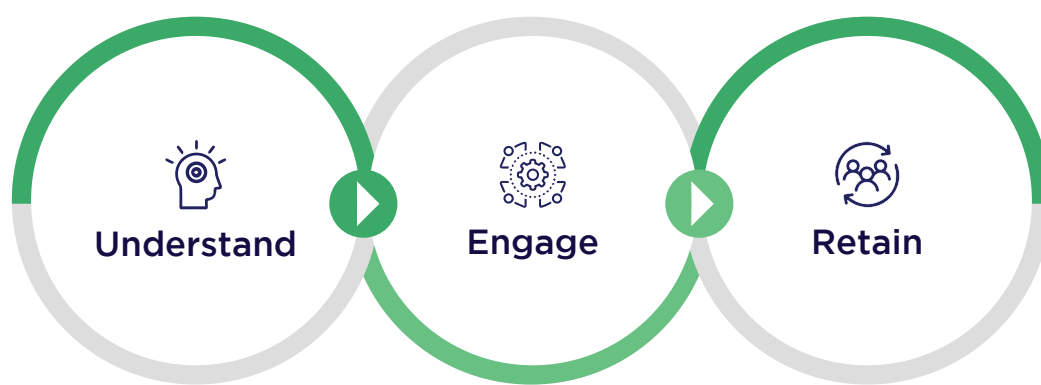
Understand

By helping insurers make informed quantitative decisions by providing a graphical user interface, OneCustomer helps agents understand customer sentiments, customer churn probability, customer value, and track their critical life events. The platform analyzes the polarity of sentiments, assesses forecasted revenue and customers at risk, categorizes complete customer portfolios while highlighting their pivotal life events to help insurers engage with customers at the right time to retain and improve their experience.
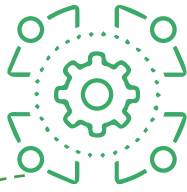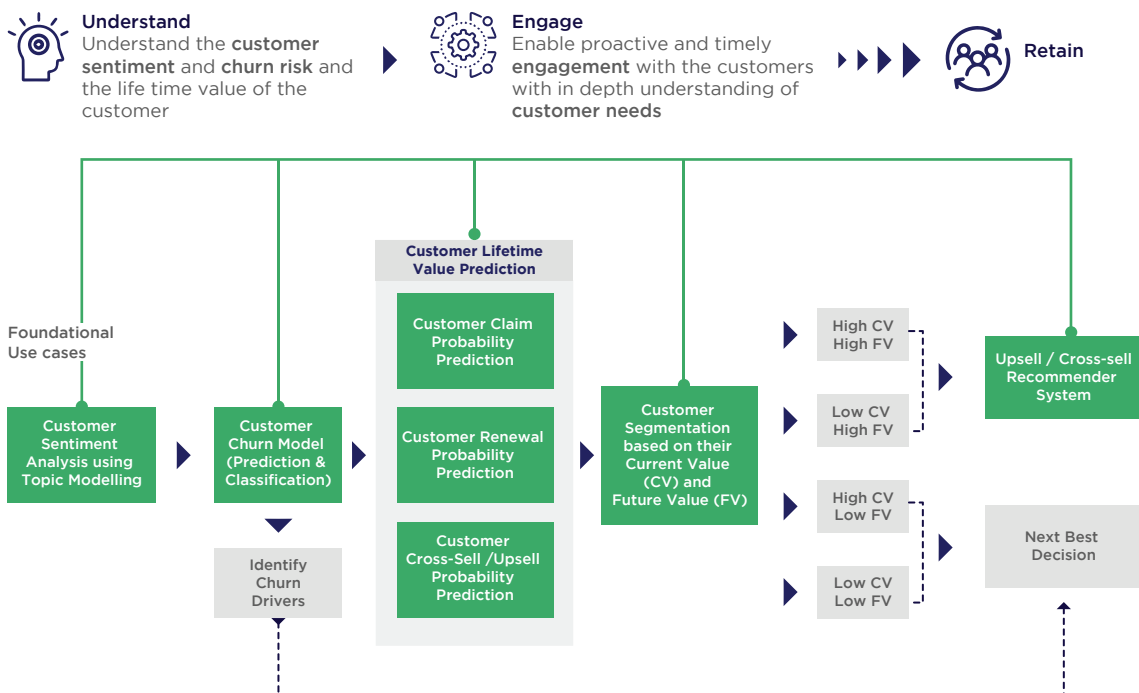
Engage

OneCustomer enables agents to leverage the in-depth understanding about their customers to have informed engagements with customers at the right time with data driven recommendations a click away in the platform.

Retain

Based on customer demographics, segments, and sentiments, the platform provides AI-powered recommendations on the best products to identify cross-sell or upsell options in case of high value satisfied customers and the next best steps for the other segments. It empowers insurers to target policyholders with the highest propensity to purchase the appropriate products/services.

OneCustomer (Understand - Engage - Retain)

Understand
Understand the **customer sentiment** and **churn risk** and the life time value of the customer

Engage
Enable proactive and timely **engagement** with the customers with in depth understanding of **customer needs**

Retain

Foundational Use cases

Customer Sentiment Analysis using Topic Modelling

Customer Churn Model (Prediction & Classification)

Identify Churn Drivers

Customer Lifetime Value Prediction

Customer Claim Probability Prediction

Customer Renewal Probability Prediction

Customer Cross-Sell /Upsell Probability Prediction

Customer Segmentation based on their Current Value (CV) and Future Value (FV)

High CV High FV

Low CV High FV

High CV Low FV

Low CV Low FV

Upsell / Cross-sell Recommender System

Next Best Decision

Customer Sentiment Analysis

Customer experience is a vital element for achieving commercial success. OneCustomer conducts sentiment analysis and helps businesses interpret and identify customer's sentiments towards their products, brands, or services using online conversations and feedback surveys. It leverages Topic Modeling, a Natural Language Processing technique that allows us to identify different topics in a text and determine how strong a presence each topic has in a given text and classify the emotion (positive, negative, and neutral) within the text.

Customer Churn Model

Our state-of-the-art model leverages the available data like demographics, transactional, and call center data of customer groups to predict the probability of losing an existing customer and identifies the potential reasons behind the churn with the help of ML algorithms. This enables companies to resolve issues, retain existing customers, and increase profitability. The platform has shown **2.7x improvement over the client's current leveraged model** by identifying the customer groups that are at a high risk of churning out while highlighting the reasons behind the same.

OneCustomer also facilitates agents to analyze the forecasted revenue at risk due to churn and drills down to customers at risk for the upcoming months, corresponding sentiment, and churn drivers.

Customer Lifetime Value Prediction

Predicting the net profit attributed to the entire future relationship with a customer is imperative to identify the most valuable customers and target them. Quantiphi's OneCustomer leverages different independent machine learning models like Customer Claim Probability Prediction, Customer Renewal Probability Prediction, Customer Cross-Sell / Upsell Probability Prediction to determine the CLTV score and identify the maximum costs of customer acquisition, as well as retention spending on existing customers.

Engage

Customer Segmentation

It is difficult to focus on potential customer groups without having incisive insights. With our OneCustomer, insurers can segment customers into four buckets based on their Current Value and Future Value to prioritize such high potential customer groups. This enables insurers to create effective strategies to target new customers and retain existing ones.

Upsell/Cross-sell Recommender System

OneCustomer is designed in a way that it addresses key questions in upsell and cross-sell through customer need analysis, customer preference analysis, and predicted revenue/ profitability. It works on the propensity modeling technique to determine the probability of cross-selling/upselling products to policyholders and targets the policyholder with the highest propensity.

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Impact of the solution: OneCustomer

Leveraging productized solutions like OneCustomer helps keep a track of low sentiment topics, policies and customers, and takes proactive measures for improving customer sentiments. Features like customer churn analysis understand the probability of churn along with drivers and sentiment w.r.t each policy, area, topic and the customer, enabling timely mitigative steps for insurers. This AI-driven platform quickly skims through different categories of customers and drills down into each customer and corresponding stats to offer enhanced customer experience.

It offers:

- Valuable customer insights like CLTV, NPS, Sentiment Score, and Churn Rate

- Fast and accurate reporting based on predictive and adaptive analytics

- Customer sentiment evaluation based on key metrics

- Policy assessment to understand churn drivers and create better customer strategies

- Improved, accurate decisions through better visualization of policy details, open claims, approved, and rejected claims
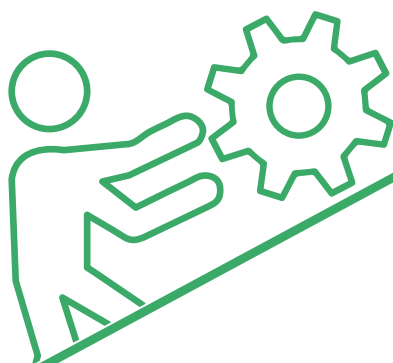
Impacting customer's journey at pivotal moments

CLTV

CUSTOMER LIFETIME VALUE (CLTV)

$ 14000
$ 12000
$ 10000
$ 8000
$ 6000
$ 4000
$ 2000

CLC

Second dynamically predicted CLTV

First dynamically predicted CLTV

Most Probable CLTV initially predicted based on historical trends

Dynamically Predicted Decreased CLTV

Reason: Bought Family coverage for Auto Insurance

Sent. Score: 8.8
Churn Prob: 0.11

Life Event: Bought Home

Sent. Score: 9.2
Churn Prob: 0.08

NBD: Cross-sell Home Insurance

Reason: Bought Home Insurance

Sent. Score: 9.8
Churn Prob: 0.02

Decreased Lifespan due to Increased Churn probability

Most Probable Lifespan predicted

Increased Lifespan due to upsell

Increased Lifespan due to cross-sell

Bought a car Bought an auto Insurance

Churn Prob: 0.15

Sent. Score: 7
Churn Prob: 0.15

Reason: Low NPS

Sent. Score: 4
Churn Prob: 0.6

NBD: Improve CX/ Cross-sell Policy B (with discounts) if reason is product dissatisfaction

Life Event: Got married

Sent. Score: 8
Churn Prob: 0.2

NBD: Upsell Family coverage for Auto Insurance

Impact of the solution: OneCustomer

Roadmap to adoption

Meeting your specific business needs

OneCustomer offers insurers a proven step-by-step approach to help address the persistency issue. The platform is designed to cover all the factors that can help minimize lapsation rates and improve business productivity. We provide a business intelligence assessment and customize our platform based on customer needs to implement it within a short period. Our experts ensure a thorough understanding and prioritization to support a demand-based approach. We create agent-specific dashboards that help outline strategic step-by-step processes while considering the criticality.

Show me the future of insurance

Customer demographics and expectations are changing. InsurTech companies are gaining ground on traditional insurers by leveraging intelligent solutions that meet those needs. AI and ML can be game-changers for your business and early adopters will come out on top. Connect with one of our insurance experts today for a private consultation on how you can shake up the industry.

About Quantiphi

Quantiphi is an award-winning applied AI and big-data software and services company driven by the desire to solve transformational problems at the heart of the business. Its unique approach combines deep industry experience, disciplined cloud and data-engineering practices, and cutting edge machine-learning research to achieve quantifiable business impact

Solutions for the entire insurance value chain

We specialize in guiding insurance leaders toward the right AI and ML solutions, customizing their data-transformation journeys to their maturity and business needs.
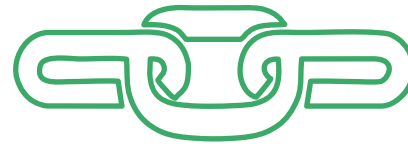
Our portfolio includes several differentiated solutions across the broader insurance value chain. Some of the recommended solutions are highlighted below.

Marketing, Sales & Distribution	Product, Pricing & Underwriting	Servicing, Loss Control & Claims
● Marketing effectiveness models	● Price elasticity	●● Fraud analytics
●● Sales forecasting	● Smart operations - document processing	●● Auto damage estimation
●● Cross-selling/ Up-selling	● Churn models	●● ChatBot-driven FNOL

- ● Recommendation Engine
- ● Predictive Analytics
- ● Time Series
- ● Natural Language Processing
- ● Reserve Forecasting
- ● Computer Vision
- ● Speech Recognition

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Solving What Matters