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# Steps to Optimizing Customer Value in Insurance

LEVERAGING PREDICTIVE ANALYTICS TO ENGAGE YOUR CUSTOMER



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PEGASYSTEMS



Despite the lure of customer centricity, many companies still rely on product-centric customer interactions. While this approach aligns well with budget, compensation, system and organizational structures, it is at odds with the desire to create a more customer-focused organization and achieve the key objective of profitability.

Insurance companies need a new approach to optimizing customer value built on predictive and adaptive analytics. Called Next-Best-Action (N-B-A), this approach revolutionizes the relationship with your customers, engaging them with targeted and personalized interactions that can significantly increase customer satisfaction, sales, retention and revenues.



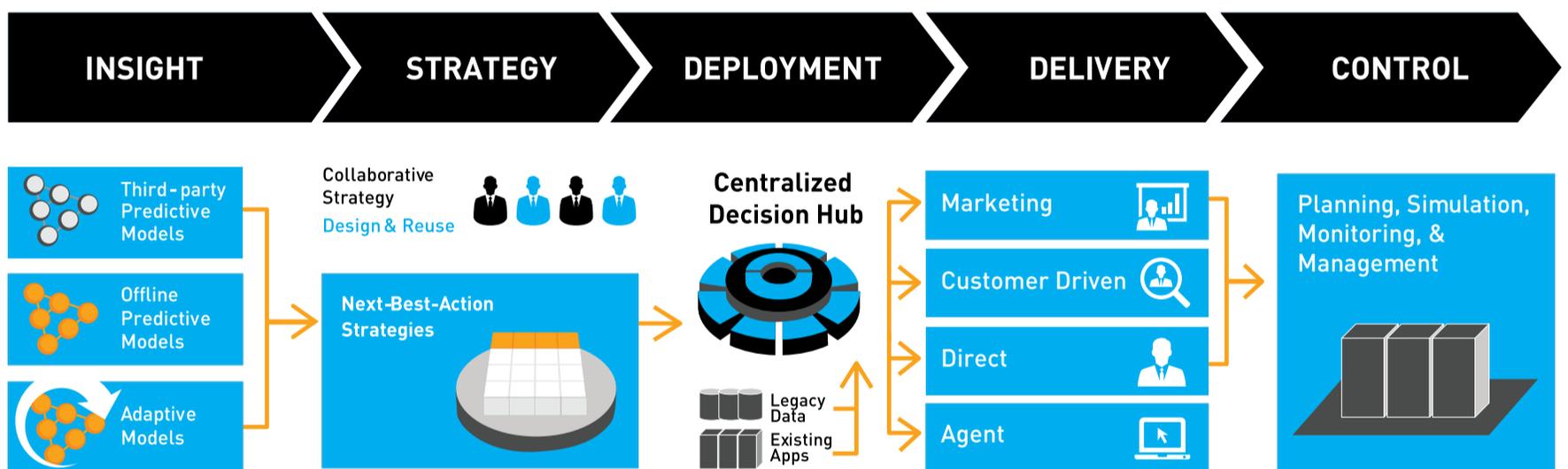
**JOIN THE CONVERSATION**



# What is Next-Best-Action?

**Next-Best-Action** provides a corporate “decision hub” that guides each inbound and outbound customer communication across every channel and line of business in your insurance enterprise in real time.

With Next-Best-Action, carriers, agents and brokers can achieve deep levels of understanding about each customer to better engage the individual, execute on that understanding and manage the relationship in a way that **optimizes the value of the company to the customer, and the customer to the company.**



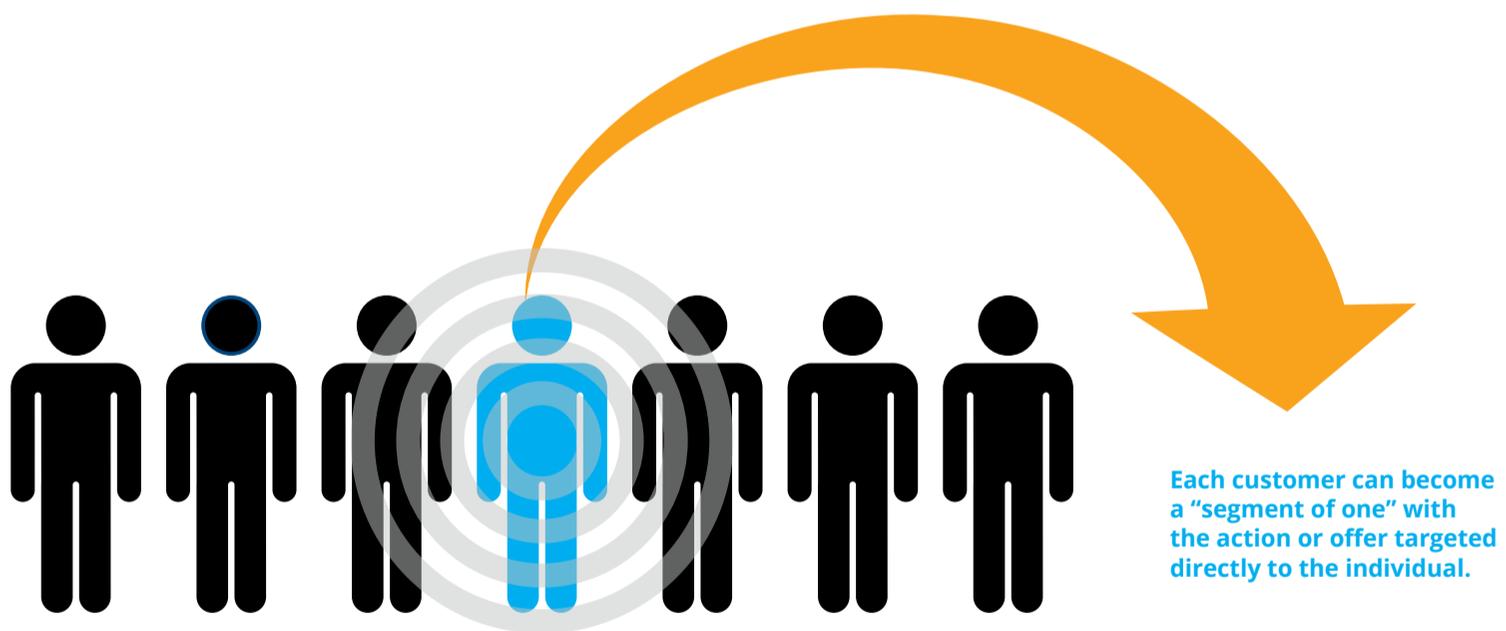
# Analytics

## The Heart of Next-Best-Action

Sophisticated predictive and adaptive analytics lie at the heart of the decision hub.

- Predictive analytics use relevant data, such as age, income and gender to predict the expected behavior of a customer, such as how likely is the individual to buy a specific policy.
- Adaptive analytics learn from each customer interaction to refine predictions and continuously improve the success of propositions.

Using these models, carriers can market to consumers based on anticipated behavior. **N-B-A uses these models in real time, turning once-static predictive models into actionable models that guide every customer interaction and optimize the outcome,** increasing profitability and customer satisfaction.

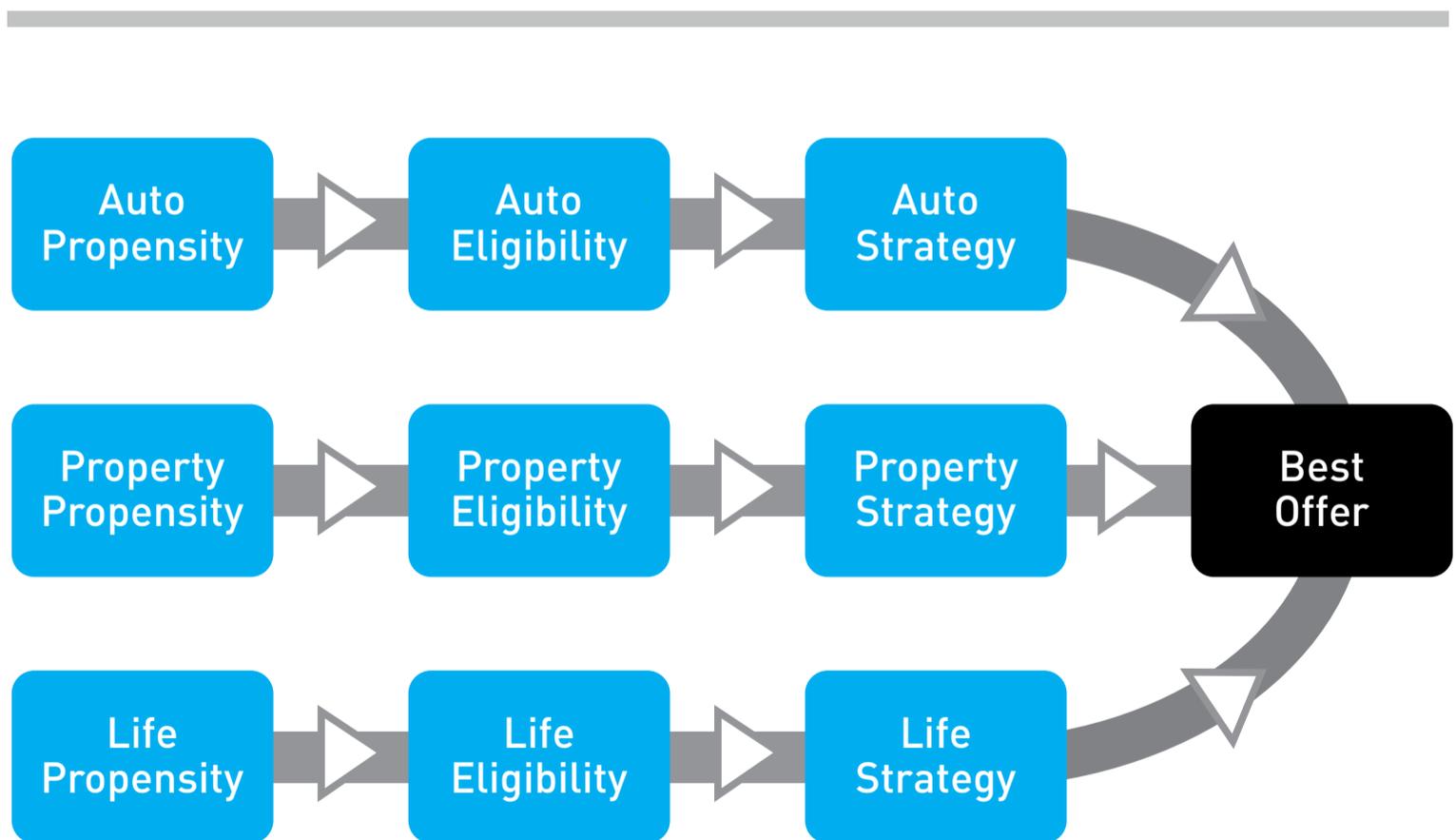


# How Does N-B-A Work?

**N-B-A enables holistic, continuous communications** that select the optimal treatment, one step—or decision—at a time based on the analytic predictions. The decision can be made in real time, at the moment the customer contacts the call center, for example. Or, it can be made when an output file is generated for outbound communication.

The **just-in-time decision process will develop, rank and present** multiple approaches, taking into account factors such as the customer’s propensity to buy, eligibility, desirability of making the offer, and the economics, such as margin and insurer’s appetite.

The customer gets the offer which is most likely to yield a positive result. There is no channel conflict because N-B-A is channel agnostic and can deliver via multiple inbound and outbound channels. It also avoids the time consuming post-processing required to assign the customer to a single, static campaign.



# Optimizing Customer Value

## Ask the Critical Question

Now that we've outlined a general understanding of how Next-Best-Action works, let's examine the five steps to optimizing customer value.

The first step to maximizing customer value in your organization is to answer one simple—but critical—question:

*“What is the approach we will take to maximize the relationship with each customer when contact occurs?”*

The answer requires collaboration between all the groups and departments involved in crafting customer interaction strategies, including branding, product marketing, sales, underwriting, risk management and customer service.

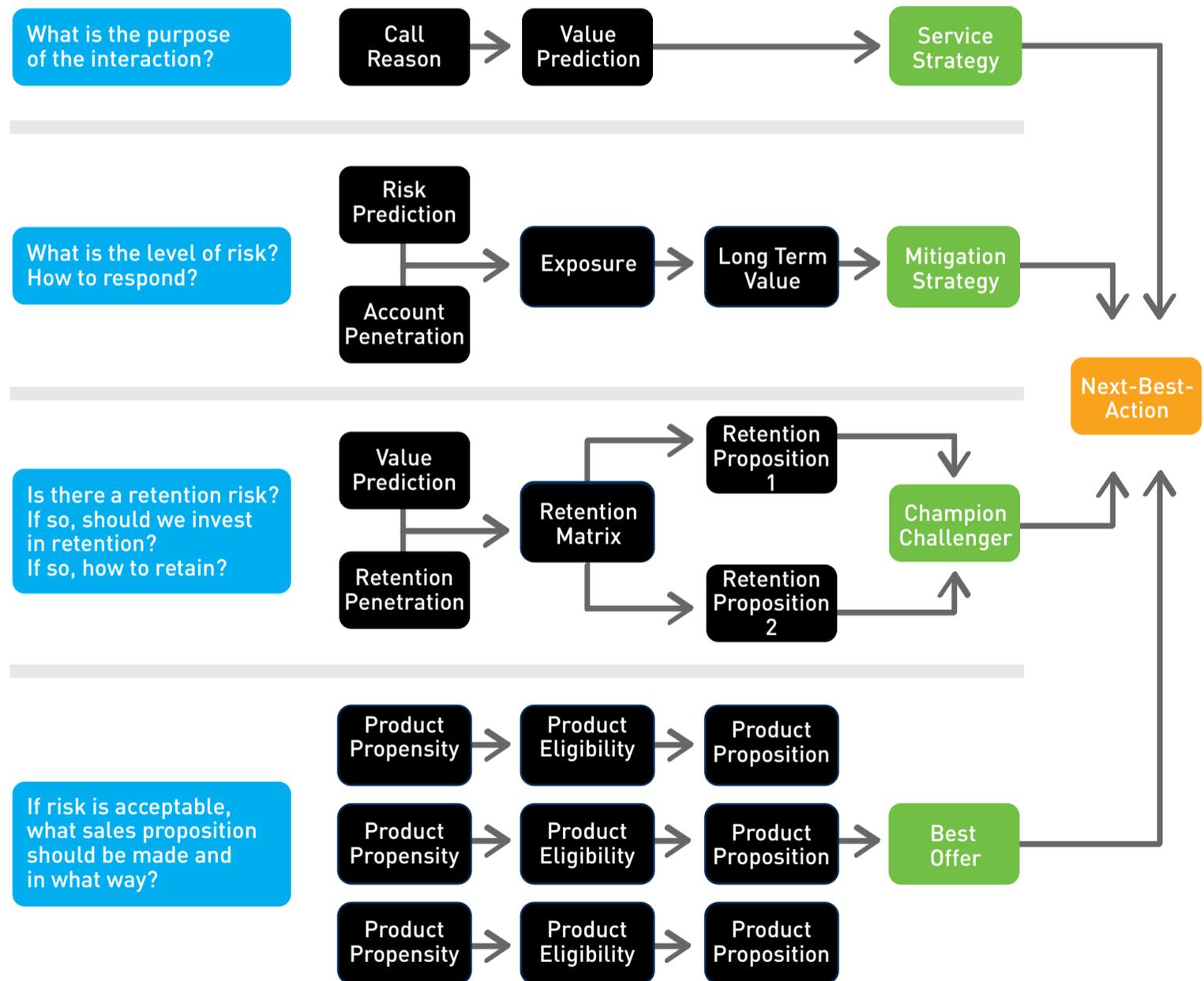
**The goal is to make sure all stakeholders agree on the priorities for the business:**

What is our risk appetite? What segments are we targeting? Is selling more important than retention? Priorities should be based on considerations such as expected underwriting profitability, operational constraints, branding considerations, relevant regulations, and company policies.

# 2

## Optimizing Customer Value Define Sub-Strategies

Once agreement is reached, each stakeholder department works on their specific Next-Best-Action questions. For example, if the answer to the critical question is that selling is the priority, then which offer should be made first? What level of risk is acceptable? **Each relevant question needs to be asked and answered until the sub-strategy and all its components are developed.**



# Optimizing Customer Value

## Why Answering the Critical Question is Important

Using the critical question as its starting point, the decision hub applies the sub-strategies repetitively to each customer. Since the customer's state is likely to be affected by the recommended action, the Next-Best-Action will be different with each application of the strategy.

Unlike traditional campaigns that start with detail and are product specific, N-B-A campaigns start with a holistic view of the customer and add details later. The logic of the process does not vary much from one customer to another, so that **a single campaign can be fitted to the customer, rather than making the customer fit the campaign.** By answering the critical question first, customer segmentation naturally follows from the level of customer differentiation that is actually operationally supported, reducing costs and enhancing transparency.



You can develop best-practice blueprints to fast track the implementation of campaigns driven by N-B-A. Implementation time for early adopters, which usually takes 8 months to recuperate costs and 18 months for a full multi-channel rollout, can shrink by 50% with blueprints.

# 3

## Optimizing Customer Value Rethink Outbound Marketing

**With N-B-A, outbound campaigns are just one element of the total customer experience.** This changes the role of outbound marketing.

- With the rise of direct sales channels in insurance, outbound campaigns can encourage customers to engage via inbound channels or an agent/broker when appropriate. Inbound channels can be a more effective selling channel as the customer—not the company—has chosen the time to interact and is likely to be receptive to offers.
- Outbound marketing becomes part of the continuous customer interaction across channels. For instance, an inbound interaction concludes with the customer agreeing to later contact, and an outbound communication is the way to keep that promise. Or, lifecycle events like a birthday can trigger an outbound action suggesting a relevant new policy.



Campaigns can be consolidated in a holistic outbound customer contact strategy in which all campaigns compete for the “right” to be the one sent to the customer, doing away with the random (and probably irrelevant) product-centric campaign.

# 4

## Optimizing Customer Value Drive Your Contact Center with N-B-A

N-B-A can have a profound effect on your contact center. Customer service representatives (CSRs) who were dedicated to just service or just sales can now engage across the customer lifecycle. By continuously providing the **CSR with recommendations** for the Next-Best-Action, **each interaction engages the customer with a meaningful conversation that leverages opportunities appropriately across sales, servicing and retention.**

A good N-B-A strategy represents the contact center's best practices. It ensures that CSRs are making recommendations that best meet the customer's needs. For example, it alerts less experienced CSRs of promising propositions they do not know about, and reminds experienced CSRs of propositions that are easily overlooked or only rarely relevant.

As a result, customers and CSRs experience much higher levels of satisfaction and value, while average call handle time is not significantly affected, even when a series of recommendations is made during the call.



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# Optimizing Agent/Broker Value

## Proactively Help Producers Increase Their Book

Independent agents and brokers are less likely to use real-time systems provided by their insurers, relying instead upon their own agency management systems. Next-Best-Action can help insurers manage the producer relationship effectively and identify areas where the producer can generate more premium. Some of the ways Next-Best-Action can help improve the relationship and tie the producer to the insurer include:



**LEAD GENERATION** – N-B-A can proactively review a producer’s book of business to identify cross-sell and up-sell opportunities that can be fed back as leads. This could be applied during application submission, as a periodical book review or when new products are launched.



**PRODUCER MANAGEMENT** – All producers are reviewed by their relationship managers within the insurer. N-B-A provides the insight relationship managers need to set quotas, identify targets to be met and improve the relationship.



**PRODUCER MONITORING** – As producers’ books of business grow—or shrink—it’s important for insurers to be able to manage the relationship with the producer. N-B-A provides that insight, with recommendations to relationship managers on how to optimize the producer relationship.

# Optimizing Customer Value

## The Benefits of N-B-A



**CHANNEL CONSISTENCY**—The decision hub executes a holistic strategy that recommends the best action across every channel, ensuring communications are consistent and avoiding channel collisions.



**NATURAL CONVERSATIONS**—Dynamic Next-Best-Actions support natural, interactive communication. Customers can easily participate in the conversation, focusing their attention on what is being offered rather than being distracted, confused or annoyed by the process itself.



**COST ALIGNMENT**—Predictive models enable the organization to optimize resource use and align the cost of the effort with key business factors, such as the likely response of a customer to a proposition or the customer's lifetime value.



**EFFECTIVE MONITORING**—Every decision and its basis is captured so that the organization can accurately judge the performance of the N-B-A strategies, in real time or later.



**TOTAL CONTROL**—Because information fed to the decision hub is developed and maintained by line-of-business management rather than IT, strategies can be adjusted on demand. With the hub as the central location for making all customer-facing decisions, changing the instructions changes the way the company does business.

# Using N-B-A in Insurance

There are many customer-facing functions within an insurance company that can benefit from the application of Next-Best-Action to optimize customer value such as:

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## FINANCIAL PLANNING

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- Guide consumer-driven financial planning to collaborative planning
- Move from calculators to tree-driven choice models
- Support collaborative planning processes over time

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## P&C SALES PLAY BOOK

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- Create real-time sales support processes to deal with off-script customer needs
- Integrate needs analysis & quoting process
- Integrate communication & workflow models between front & back office

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## GROUP EMPLOYEE BENEFIT ENROLLMENT & EDUCATION

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- Create & deploy interactive benefit patterns to drive plan design
- Support depth in simplicity models for consumer education
- Support benefit selection process across benefit categories

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## DIRECT-TO-CUSTOMER SALES & SERVICE

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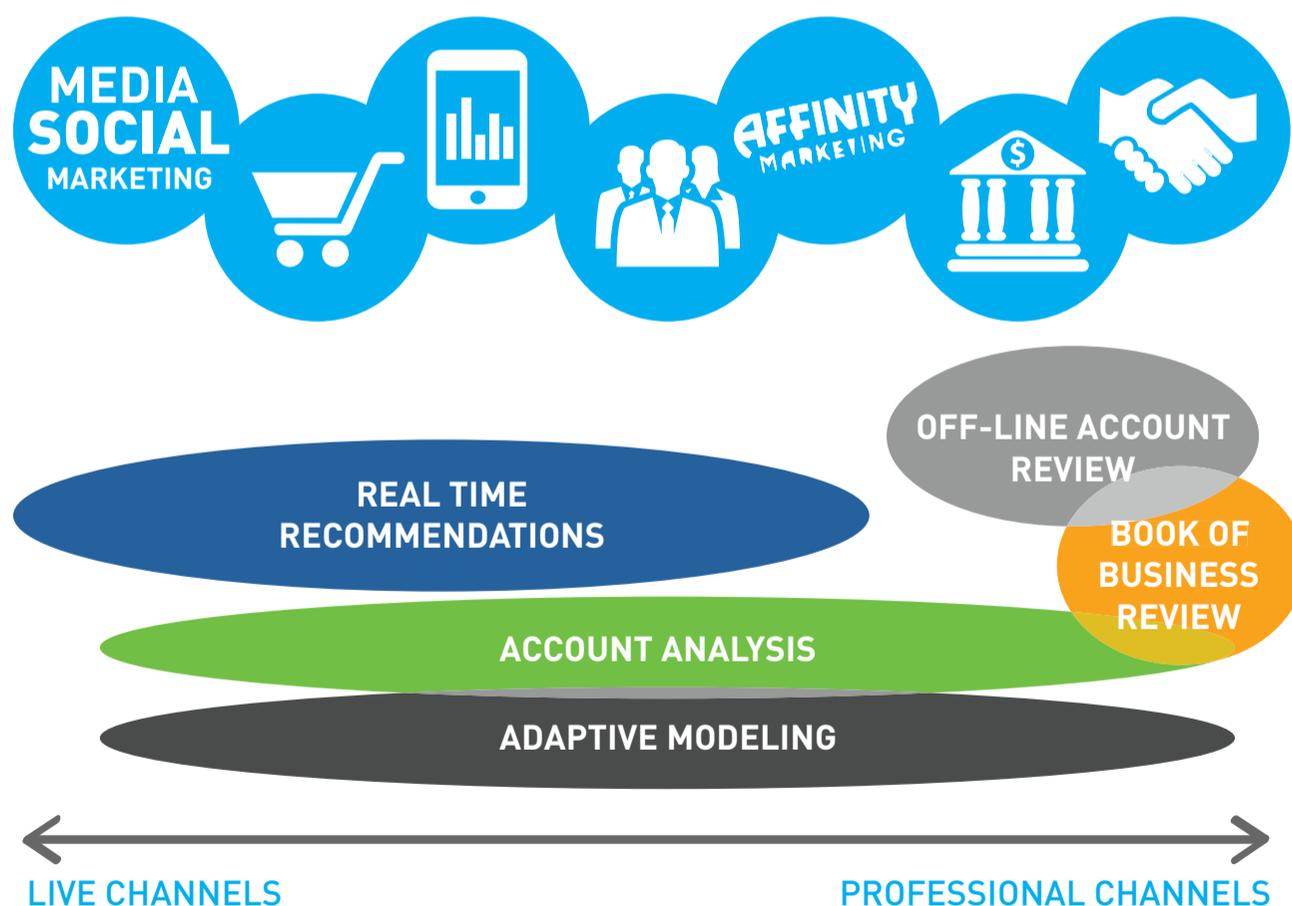
- Provide the base for consumer-facing sales & service processes
- Accommodate the majority of customer interaction needs with well-designed decision trees with opt-outs

# Next-Best-Action

## Engaging Your Customer for Optimal Results

For insurance companies, **Next-Best-Action** represents a real solution to achieving **true customer centricity**. It can add value to each customer decision and interaction, with the bottom line contribution increasing as both the number of interactions and their complexity grows.

Next-Best-Action coincides nicely with the trend towards creating a consistent omni-channel customer experience. Today, customers are more likely to choose their own moment and channel to contact the company, then select, negotiate, and configure the product or service of their choice. Next-Best-Action best fits this customer interaction model, allowing insurance companies to effectively manage the interactions to deliver outstanding experiences across every channel and device, fulfill their brand promise, increase revenues and optimize the use of resources.



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### About Pegasystems

Pegasystems, the leader in business process management and software for customer centricity, helps organizations enhance customer loyalty, generate new business, and improve productivity. Our patented Build for Change® technology speeds the delivery of critical business solutions by directly capturing business objectives and eliminating manual programming. Pegasystems enables clients to quickly adapt to changing business conditions in order to outperform the competition.

For more information, please visit us at [www.pegasystems.com](http://www.pegasystems.com).