

 Innovation and Technology

Taking Life Insurance Customer Engagement to the Next Level





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CONTENTS

Executive Summary	4
Section 1: Introduction	5
Section 2: The Need for Customer Engagement.....	6
Section 3: Customer Engagement Opportunities	7
3.1 ENABLERS AND ACTIONABLE IDEAS	8
3.1.1 DIGITAL CAPABILITIES	9
3.1.2 DATA SCIENCE AND ANALYTICS	9
3.1.3 GAMIFICATION, REWARDS, AND INCENTIVES.....	9
3.1.4 BEHAVIORAL SCIENCE.....	10
3.1.5 PRODUCT DESIGN	10
Section 4: Business Value and Benefits	11
Section 5: Overcoming Challenges	12
5.1 CUSTOMER RELATIONSHIPS	12
5.2 ETHICS AND REGULATIONS.....	12
5.3 CUSTOMER DATA AND PRIVACY.....	12
5.4 PRIORITIZING EXECUTION	13
Section 6: Conclusion	14
Section 7: Acknowledgments	15
About The Society of Actuaries	16
About Aite Group.....	17

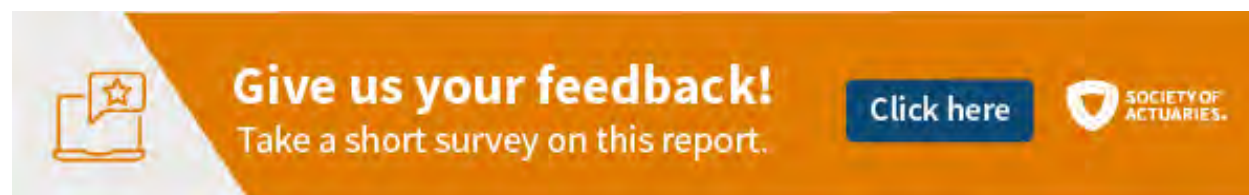
Taking Life Insurance Customer Engagement to the Next Level



Executive Summary

Taking Life Insurance Customer Engagement to the Next Level, commissioned by the Society of Actuaries and produced by Aite Group, uses consumer insights, market trends, and domain expertise to provide ideas that can help insurers create better customer relationships and drive better outcomes for customers and their organizations.

Key takeaways from the study include the following:

- Customer engagement has not been a top-of-mind concept for life insurers until the last few years, and the ownership of customer relationships has been unclear between carriers and advisors. This is now changing, as modern consumers have a whole new set of expectations and are more likely to engage in the use of new tools and richer capabilities that can provide benefits beyond a life insurance policy. To compete in the digital economy, insurers need to understand their customers better than they do today, rethink how to strengthen relationships with their customers, and find creative ways to develop awareness for their brand.
- Opportunities to engage customers exist throughout the life cycle of their relationship with insurance companies. During pre-sale, engagement can start with financial awareness solutions, product assistance, and prequalified offers. During purchase, recommendations, personalized experience, and complementary product offers can provide guidance to customers. Educational content and personalized communication can enhance customer service, and wellness and rewards programs can keep customers engaged throughout the stages of their lives—when they get married, buy a house, have children, and retire.
- Digital capabilities, analytics, gamification, behavioral science, and product design are some of the key enablers. These enablers help harness customer data, execute omnichannel communication strategies, align communications to customers' needs and preferences, and turn interactions into fun, interesting, and personalized customer experiences and product offerings.
- Engaged customers receive benefits such as health, longevity, financial wellness, and delightful experiences. Data from early adopters among insurers show that increased customer engagement results in lower claim costs, better persistency, brand recognition, and growth.
- Challenges exist, such as ownership of customer relationships, access to customer data, regulatory and ethical concerns, and costly and slow program execution. These challenges can be overcome by designing solutions that align with advisors' interests, seeking customers' participation in sharing data, prioritizing by customer journey mapping, and using engagement platforms and expertise from solution providers.



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Section 1: Introduction

Customer engagement is the process of interacting and building an ongoing relationship with customers. Today's most admired brands in several industries are, not only engaging in sales and service, but are also continually keeping in touch with their customers through many channels, fostering trust and building long-term relationships. Customers' expectations and motivations are also changing. They are open to interacting and exchanging data with companies that use technologies to improve consumer experience and provide additional value, such as personalized offers, advice, recommendations, and premium discounts. According to a study conducted by Salesforce, 84% of customers say the experience a company provides is as important as its products and services.¹

This paper provides an overview of customer engagement programs and opportunities in the life insurance industry. It then provides examples of key enablers, actionable ideas, and benefits to customers and insurers. Finally, this paper examines common challenges that insurers face in creating and executing an effective customer engagement program and ways to overcome those challenges. Life insurance executives and leaders in marketing, product, actuarial, operations, and technology functions can use this paper as a starting point to brainstorm ideas for developing their customer engagement strategy.

While many life insurers sell multiple products, including annuities and supplemental health, this paper provides examples and practices related only to life insurance. A roadmap or "how-to" guide for organizations building engagement programs could be another topic for a future paper.

This paper is based on the Aite Group's domain expertise and knowledge base, secondary research, and input from 15 experts in North America.

¹ "State of the Connected Customer," Salesforce, 2019, accessed December 3, 2020, <https://www.salesforce.com/resources/research-reports/state-of-the-connected-customer/>.

Section 2: The Need for Customer Engagement

Historically, customer engagement has been a low priority for life insurers. Carriers and advisors have been in conflict over who owns the relationship with customers. Many policyholders cannot recall the name of their insurer. A customers' interaction with their insurer comes mostly during service needs, such as a change of address or beneficiary, or financial transactions such as premium payments, surrenders, and withdrawals. Given that reality, insurers that traditionally sent paper communications to policyholders initially focused on providing some online policyholder services. With increasing digitization and automation, policy purchase was the next area where quoting, electronic application, and e-delivery created new customer interactions, often guided by the advisors. The recent COVID-19 pandemic has increased the need for such digital interactions. The availability of alternative requirements and digital health data has presented insurers with further opportunities to optimize their underwriting and benefit from direct customer interaction during the buying process.

Engagement with customers in the life insurance industry still lags against the experience in other industries and leading consumer brands. The leaders in customer experience are changing the quality of interaction at all possible touch points with the customers throughout their search, acquisition, and ownership of the products. To compete in the digital economy, insurers need to understand their customers better than they do today, rethink how to strengthen relationships with their customers, and find creative ways to develop awareness for their brand. The best companies are doing the following:

- Making personalized offers, such as savings from an engagement experience with their customers, and proactively reaching out to them
- Engaging customers on the communication channels and devices they prefer—phone, online, apps, chatbots, voice assistants
- Providing real-time and easy-to-navigate service and support
- Making customer interactions fun and exciting while delivering unique value
- Building trust with their customers by increasing transparency and fairness

Why should life insurers care? Because engagement can make it easier to acquire customers, retain them, and continue driving profitable growth. Consider mortality improvement, for instance. While engagement in physical wellness and education programs benefits customers in terms of better health, it is also in the insurer's best interest to achieve a better claims experience. Customers with better health also have higher persistency.² Some other measurable business value metrics are discussed later in this paper.

² Marianne Purushotham, "U.S. Individual Life Persistency Update: A Joint Study Sponsored by LIMRA and the Society of Actuaries," LIMRA International and The Society of Actuaries, 2005, accessed January 26, 2021, <https://www.soa.org/globalassets/assets/Files/Research/Exp-Study/US-Indiv-Life-Persistency-Report-FINAL.pdf>.

Section 3: Customer Engagement Opportunities

Throughout the life cycle of customer-insurer interactions, there are opportunities for engagement—during the customer’s research for life insurance, the purchase of the insurance, and the use of customer service. Making claims is when engagement with the beneficiaries is of the utmost importance. These engagement opportunities are further described:

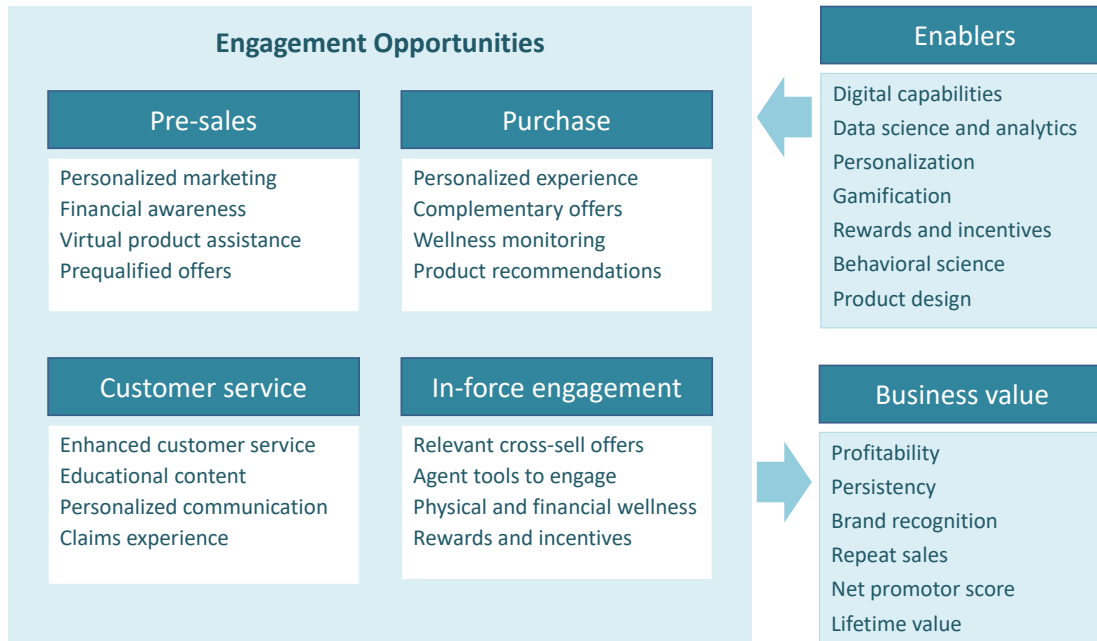
- **Pre-sale:** The relationship developed with potential customers could deliver long-term value to the insurer. Personalized marketing messages and content, financial awareness, and wellness questionnaires can help customers with life insurance research. Tools such as virtual product assistants and online advice can help them make the right choices. Similarly, analytics can drive prequalified offers that align with the prospects’ needs and motivations.
- **Purchase:** During the policy purchasing process, the entire buying experience and communications can be personalized based on the initial information gathered about a customer’s preferences. Carriers could offer a combination of online and chatbot support to answer questions and make recommendations of complementary and suitable products, such as critical illness and disability, along with life insurance. Customer engagement can be reinforced with policy delivery by offering additional value through follow-up action—for example, financial and physical wellness questionnaires and progress-tracking tools.
- **Customer service:** Customer service can be made more engaging, going beyond self-service portals and occasional policy communications, for example, personalizing the communications relevant to their stage of life through the choices available in their policy. Similarly, educational content can be provided through channels such as web, mobile chat, social media, and video to keep customers aware of their financial options. Insurers can give customers links to such resources through periodic email communications. Providing information and claims guidance that could be passed on to the beneficiaries in the event of the insured’s death can extend the reach of the engagement to other members of their family.
- **In-force engagement:** Financial and physical wellness programs are a win-win for carriers and in-force policy customers. In a survey of more than 2,000 Americans, 97% revealed a strong interest in practicing better health habits and in data that would increase their longevity.³ A customer’s well-being is a significant driver of mortality experience and persistency, which is in the insurer’s best interest. The engagement platforms can also help both advisors and insurers cross-sell relevant products to the insured and their friends and families.

While opportunities exist at every stage of the customer relationship, the engagement should be viewed holistically instead of focusing on any one area. For example, it may sometimes be better to let one policy lapse to improve the customer’s overall financial position and meet their needs. Ultimately, the goal is to maximize lifetime value for both customers and insurers.

³ “Expanding the Life Insurance Value Proposition,” LIMRA and Boston Consulting Group, 2020, accessed 12/03/2020, https://www.limra.com/siteassets/research/research-abstracts/2020/extending-the-life-insurance-value-proposition/2020_limra_bcg_prevention_strategy_report.pdf.

Figure 1 provides examples of engagement opportunities along with enablers and expected business value.

Figure 1
EXAMPLES OF ENGAGEMENT OPPORTUNITIES, ENABLERS, AND BUSINESS VALUE



Source: Aite Group

3.1 ENABLERS AND ACTIONABLE IDEAS

Table A provides examples of organizational commitments and tools as enablers to the success of engagement programs.

Table A
EXAMPLES OF ENABLERS FOR CUSTOMER ENGAGEMENT

Enablers	Why they matter
Digital capabilities	Execute omni-channel communication strategy and integrate customer data, applications, and services to engagement layer
Data science and analytics	Harness customer data and align campaigns and communications to their needs, preferences, behavior, and interactions
Gamification, rewards, and incentives	Turn ordinary interactions into fun, interesting, and personalized customer experiences for the customers who enjoy that
Behavioral science	Design choices that draw a customer’s attention
Product design	Enable personalization, cross-sell, and bundling via design flexibility

Source: Aite Group

3.1.1 DIGITAL CAPABILITIES

Digital capabilities are essential to execute an omni-channel strategy that can drive customer engagement holistically. Platforms from many solution providers can be leveraged for communication, relationship management, wellness programs, gamification, and rewards. Integration to customer data, digital applications, and policyholder services will be required to make such offerings seamless to the customer.

An insurer's communication will need to adapt to a customer's choice of devices, channels, and methods and seamlessly reconnect when the customer decides to pause or switch. According to a customer engagement study, 81% of insurers say their customers ask about texting, of which 90% say they specifically ask if they can text the same number they call.⁴

3.1.2 DATA SCIENCE AND ANALYTICS

Predictive methods and analytics are needed to harness customer data and align campaigns, communication, and engagement tools to their needs, behavior, and interaction history to deliver the most relevant experience. Insights on purchase behavior, location, devices used, and types of interactions can be used to help marketing, sales, and service teams better understand their customers.

One insurer applied k-mean clustering (an unsupervised machine-learning technique) to segment customer groups using their in-force and policy application data. The resulting ten segments were then compared against a third-party database to map to typical household size, income, locale, technology adoption, and many social attributes to develop an engagement strategy for each segment. The strategy was deployed to redesign the marketing plan for various customer groups and channels and used to create a project development roadmap to meet customers' needs.

3.1.3 GAMIFICATION, REWARDS, AND INCENTIVES

Gamification is the application of game playing—points and scoring, competitions, and redeemable benefits—to encourage engagement with products or services. Gamification can turn an ordinary experience into fun and interesting customer participation.

There are many use cases, such as promoting healthy habits, exercising more, quitting smoking, saving for retirement, and buying suitable products. Organizations could use quizzes, questionnaires, and customized assessments to initiate the gamified experience.

One application invites players to select and discover what is behind certain cards that can only be turned over based on their engagement in healthy behaviors. On the other side of the card, the participants can win prizes such as gift cards. This helps motivate participants to take good care of their health and win more rewards.

⁴ "The Definitive Guide to Customer Engagement with Insurance Texting," Zipwhip, 2020, accessed January 26, 2020, <https://www.zipwhip.com/lp/definitive-guide-to-customer-engagement-with-insurance-texting/>.

3.1.4 BEHAVIORAL SCIENCE

The concepts of behavioral science can be used in many areas, for example, in developing choices that are better adopted. The success of “Save More Tomorrow,”⁵ a behavioral intervention pioneered by Richard Thaler, is well established. It is designed to make it easy to save for retirement. In this program, employees first accept to increase their retirement contribution in the future, avoiding the present bias. Their future contribution increases are linked to their future pay increases, thus minimizing the effect of loss aversion, since their take-home pay doesn’t decrease. Finally, employees remain in the program unless they opt-out, which uses the concept of inertia.

Gamification design, insurance application questions, messaging, and marketing campaigns are some of the categories that can benefit from behavioral science patterns. One insurer saw an improvement in self-reported smoking response from insurance applicants by changing a question from “Do you smoke?” to “How many cigarettes do you smoke per day?”

3.1.5 PRODUCT DESIGN

Product design flexibility can be a key enabler to personalization. Products that incorporate offerings such as wellness as a standard feature and benefit instead of a separate add-on can see better adoption from customers and advisors. Bundling and personalization features in products align better with services such as product recommendations, complementary offerings, and virtual product assistance.

⁵ Richard Thaler and Cass Sunstein, “Nudge: Improving Decisions about Health, Wealth and Happiness,” Penguin Books, 2009.

Section 4: Business Value and Benefits

Customer engagement programs require reconsideration about how their business value is measured (Figure 2). Insurers cite improvement in persistency and net promoter score as the most common business benefits. While such short-term metrics may be easier to measure for a cost-benefit analysis, long-term but harder to analyze benefits such as lower claims cost and better brand recognition should also be kept in mind. Companies need to select engagement metrics as part of their business performance scorecards and monitor them along with their other success indicators.

Improved mortality experience, higher brand recognition, and customer lifetime value have a major positive impact on long-term profitability and growth. Lower cost of acquisition for additional sales is another benefit. Gallup research has found that fully engaged customers represent an average 23% premium in terms of share of wallet, profitability, revenue, and relationship growth compared with the average customer.⁶ Well-engaged customers are often more satisfied, more likely to recommend products to their friends and family and are motivated to provide access to their data and realize wellness benefits in return.

As an example, Discovery, a global insurer, found 35% lower mortality for highly engaged customers. They also reported a more than 20% better claims experience and more than 15% lower lapse rates in their vitality program adoption.⁷

In an engagement pilot program with a U.S. carrier’s in-force orphan policies (policies whose primary agent is no longer active on the account,) a 5% improvement in persistency was seen after three months and more than 20% after a year. The company also found a sharp improvement in net promoter scores, from 14 to 24.

Figure 2
BENEFITS FOR BOTH CUSTOMERS AND INSURERS



Source: Aite Group

⁶ “State of the American Consumer Report,” Gallup, June 2014, accessed 12/3/2020, <https://www.gallup.com/services/176282/state-american-consumer.aspx>.

⁷ “Discovery Integrated Annual Report 2019,” Discovery Limited, 2019, accessed 12/3/2020, <https://www.discovery.co.za/assets/discoverycoza/corporate/investor-relations/discovery-iar-2019.pdf>.

Section 5: Overcoming Challenges

There are some challenges to successfully developing and running customer engagement programs, but insurers can leverage lessons learned from other industries and design creative programs to address them. Some of the well-known challenges discussed below are ownership of customer relationships, ethics and regulatory concerns, customer data and privacy, and prioritization of customer engagement efforts within the organization.

5.1 CUSTOMER RELATIONSHIPS

There is always an argument about who owns the relationship with customers and is responsible for cross-marketing and the relationship's long-term health. Carriers have often experienced pushback from advisors regarding directly contacting the customers, except in the case of orphan policies or captive distributions.

Engagement programs need to create a win-win and develop compelling propositions for advisors. Customer engagement, especially if it becomes a standard feature of the product, could help advisors generate more business and differentiate their offerings. Such programs should also provide flexibility so advisors can deliver relevant value to each customer group. For example, some customers may be more interested in gamification, while others care more about rewards and incentives.

5.2 ETHICS AND REGULATIONS

Regulators are often skeptical about insurers acquiring third-party data on customers for underwriting or offering personalized services. A New York State department circular in 2019 limiting the use of external data, algorithms, and predictive models that could cause unfair discrimination, is one example. In August 2020, the National Association of Insurance Commissioners adopted guiding principles for insurance-specific AI applications, emphasizing the importance of accountability, compliance transparency, and safe, secure, fair, and robust outputs. Insurers need to ensure that their approach does not cause privacy violations or proxy discrimination and is transparent to customers. Insurers should also explain their approach to regulators and provide them with visibility into their models.

Along with regulatory requirements for customer privacy and protection, ethical and legal considerations should be kept in mind. It is more ethical and reliable to directly engage customers who share their information through digital interactions, annual checkups, or questionnaires.

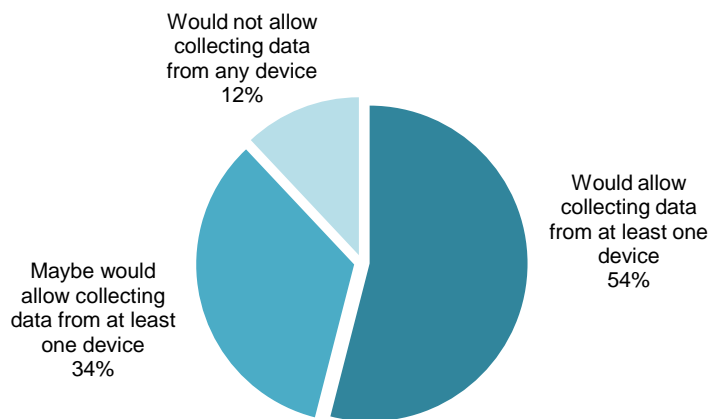
5.3 CUSTOMER DATA AND PRIVACY

One common concern is a customer's willingness to share data. In a 2019 survey of 766 life insurance policyholders, Aite Group found that 54% will share data from their health-related connected device with an insurer, and another 34% would consider it (Figure 3). Consumers are more likely to share data if they see value in return from the insurers.⁸

⁸ See Aite Group's report [Life Insurance Policyholder Engagement: A Global Vendor Overview](#), June 2020.

Figure 3
LIFE INSURANCE POLICYHOLDERS' WILLINGNESS TO SHARE DATA

Q. If you have these items or could receive one from your life insurance company at no cost, would you allow your life insurance company to collect information from your connected device to earn rewards?



Source: Aite Group survey of 766 U.S. consumers, 2019

5.4 PRIORITIZING EXECUTION

While insurers are starting to understand the value of customer engagement, getting the initiatives prioritized and executed with the required agility is a challenge. Difficulty quantifying benefits often leads to delays. Two key approaches can help with a better roadmap to success.

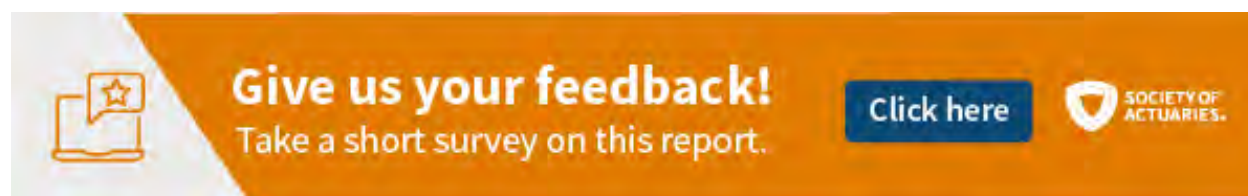
First, deliver customer engagement as experience journeys instead of building an infrastructure and program plan for large scale change. A customer-journey approach requires building cross-functional collaborative teams across marketing, products, technology, operations, analytics, and legal that own the design and execution of engagement initiatives. This approach also requires obtaining critical skills such as customer experience design, data science, and digital marketing.



Second, leverage partnerships with solution providers. Start-ups and tech companies have developed expertise in digital engagement and customer experience design and can deliver faster. Many consumer engagement platforms for life insurers provide gamified, reward-based content that helps policyholders improve their physical, emotional, and financial well-being.

Section 6: Conclusion

In the past, insurers have taken upon themselves the role of product manufacturers, leaving it to the advisors to engage with the customer. As today's customer has become savvier and more demanding, lack of engagement and not meeting their heightened expectations means the insurer misses out on several opportunities for growth and profitability:

- **Consumer behavior is shifting.** Modern consumers have a whole new set of expectations and are likely to engage in the use of new tools and richer capabilities that can provide benefits beyond a life insurance policy.
- **Customer engagement could be a key differentiator.** Customer engagement has evolved from basic digital services to caring for a customer's wellness and creating personalized experiences.
- **Offer applications for all parts of the customer life cycle.** Opportunities to engage with customers exist throughout the life cycle of the interaction, beginning with the customer's search for life insurance and lasting through purchase, customer service, and in-force engagement.
- **Organizational commitment and enablers are ingredients for success.** Digital capabilities, data science and analytics, gamification, rewards and incentives, behavioral science, and product design are enablers for implementing a successful customer engagement program.
- **Insurers should measure benefit differently.** While persistency and net promoter scores are the most cited benefits, insurers should consider both short-term and long-term benefits, such as lower claims cost, profitability, and brand recognition, that can lead to better market share. Customers also benefit by achieving better health, longevity, financial wellness, satisfaction, and improved experience.
- **Carriers and advisors can overcome challenges.** Ownership of the customer relationship, access to customer data, regulatory concerns, and execution speed are key challenges to successfully implementing a customer engagement strategy. These challenges can be overcome through creating win-win solutions with advisors, seeking customer participation in sharing data, taking a customer journey-design approach, and partnering with solution providers.



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Section 7: Acknowledgments

The researchers' deepest gratitude goes to those without whose efforts this project could not have come to fruition: the Project Oversight Group and others for their diligent work overseeing questionnaire development, analyzing and discussing respondent answers, and reviewing and editing this report for accuracy and relevance.

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