Claim your profits

Research for the Chartered Institute of Loss Adjusters (CILA) in 2009 asked for which services people had switched suppliers in the previous 12 months:

	UK	France	Germany	US
Credit Card	16%	7%	7%	20%
Bank	18%	16%	16%	25%
Car or House Insurer	25%	16%	16%	12%

While elsewhere in Europe customers were as likely to stick with their insurers as with their bank, in the UK there was a much greater chance that people would switch – even before the comparison websites really took hold.

In fact it is becoming the norm that over a 5 year period a business may see its entire acquisition efforts of the previous 5 years disappear at a time when the cost of that effort can be as much as 7 times that needed to maintain an existing relationship.

If a strategic view was taken on this, then it should be life time value that really counts, and as competition intensifies and churn looks increasingly likely to be a key feature of the Insurance Market, strategies for retention will become ever more critical to long term success.

With Insurance the traditional view seems to be that marketing and sales generate all the profit. It is after all a 'peace of mind' or 'necessity' purchase. Everything else can easily be regarded as a simply reducing that profit, with claims a necessary evil, something to be avoided at best and minimised at worst. In reality the development and marketing of products has become somewhat commoditised, generating similar amounts of headroom regardless of the provider, and this at a time when retention rates are falling through the floor.

With the opportunities to cultivate strong customer relationships through the delivery of the contracted service – the claim – and with the potential prize of a loyal customer base delivering an envied return of life time value – is it not curious that so few insurers have a claims director at the top table? Particularly as ABI data shows that in 2009 claims cost represented almost 75% of premium levels. Even if you exclude the ever-increasing claims and ever-reducing margins in motor insurance, claims costs are running at over 60% of premiums.

There seems to be an artificial, and one could say disingenuous focus on 'customer experience', with call centres filled with Customer Experience Executives and a Director of Customer Experience at board level, but what does this really mean? Cynically, 'customer experience' seems to relate more to the sales process than subsequent customer service. Even the *Which?* review of insurance customer satisfaction only rated companies for Ease of Quote, Ease of Purchase, Ease of Contact and [pleasantness of] Staff. There can't be many times in life where we judge the quality of a product or service by how easy it was to buy.

The reality is that when it comes to insurance, the claims experience tends to be a tense affair, pervaded by an atmosphere of mistrust, prejudice, uncertainty, anxiety and frustration often ending in a customer who feels ripped off, a company with its reputation on the line, or maybe at best a sense of resignation and relief that one of life's traumas has finally been resolved.

So as an insurer is there a better and more profitable way to do this? We all know that a good experience buys loyalty; referrals; a cheaper outcome; happy customers and happy staff, but what of the downside? Clearly there is a balance to be struck. Fraud can never be acceptable and the appropriate validation of the facts will remain a key element of any claims service – but sloppy direction, misunderstanding of the rules, inconsistent attitudes to cover and simple mismanagement of the end-to-end customer experience is not acceptable, costs money, damages reputation and more to the point is wholly avoidable.

If we put the claim at the heart of Insurance; if it sits in the shop window and is as much a part of sales as cover and price; if it is embedded as a key component of lifetime value; then it will receive the attention it deserves and begin to serve as a potent weapon in your competitive armoury.

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