



SOCIETY OF ACTUARIES

Article from:

News Direct

September 2005 – Issue 51



AGENT LEAD GENERATION: EVOLVING TECHNOLOGY IN AN EVOLVING MARKET

BY PETER STEIN

This article is based on a presentation made by Peter Stein at the Annual Conference of the Professional Insurance Marketing Association (PIMA).

In this age of vertical integration where competitors buy from each other and where the entire consumer world is going multi-channel, it's about time direct marketing and agency channels worked together to sell insurance.

Most companies in P&C are doing some direct marketing. You can read the statistics in Don Jackson's reports confirming that companies like AIG, GEICO, Liberty Mutual, Progressive, Response Insurance and Unitrin (to name only a few) are pumping out volume mail. Most of these companies keep direct as a separate channel, but don't necessarily hide it. Other companies are so agency-oriented that they hide the fact they go after consumers directly. The point here is that combining the assets of the

direct marketing channel with those of the agency system makes total sense.

In this article, I will touch on the basics of direct marketing success for P&C companies. Then I'll take those basics and apply them to the design and test of an agent-driven system. I'll talk about why and how the agent buy-in is important, and I'll wrap up with a look at the economics of agent-driven direct mail.

The Premises of Channel Bending

There are two kinds of people in the world—those who are open and responsive to direct mail and those who won't open and respond. In terms of purchasing insurance, there are two kinds of people—those who are “open channeled” (will buy direct or from an agent or broker) and those who aren't. Those who respond to “agent-only channel” may open direct mail, but may not respond. There is another way of looking at propensity to purchase. There exist the “insurance-conscienced” and the “non-conscienced.” I don't mean “conscious” here; “conscienced” is used to describe those people that believe good coverage is a necessity, not just a state mandate.

If marketers bend the channels—combining direct marketing with agent-driven systems—they stand a better chance of capturing a larger portion of these different types of prospects and customers.

Basics of Direct Marketing Success for P&C Companies

Databases/Lists/Segments

Today's insurance direct marketers are very smart about the use of data. They prescreen files for credit worthiness, as that is the chief proxy for safe drivers. They run response models and analyze them compared to conversion models and to claims models. They work on both the household level and the geographic level with rating areas.

Some companies go after visible segments of the market—The Hartford with AARP, of course... but there is also Teachers' Insurance Plan, Liberty Mutual's strong efforts in the association arena and others. There are invisible segments, too, that are



Peter Stein is vice president of business development at The Horah Group and can be reached at 212.921.4521, ext. 205 or via e-mail at peter@horah.com.

beginning to be explored. These are attitudinal segments and they get to both the “open channel” vs. “one channel” and “insurance-conscienced” vs. “non-conscienced” dichotomies.

Prospecting Offers

Premium rates have traditionally been the drivers of response in P&C insurance direct marketing programs. Depending on the state and the competitive situation, a carrier had to blast savings of anywhere from \$100-400 on auto insurance premiums to get anyone to even think about switching.

We’re starting to see companies experimenting with a move from heavy emphasis on rates. GEICO, for example, spends as much time talking about its service and subsequent high rate of satisfaction. It may be easier for marketers to bear the move from rates if they prospect to people that a.) are not as rate conscious and b.) are “insurance-conscienced.”

Teachers’ Insurance Plan has introduced a “club” concept. Low rates and a host of benefits associated with being an educator are offered.

Surprisingly few P&C companies (with The Hartford/AARP being a notable exception) are using premiums and freemiums as part of their offers. This is contradictory to mail that agents send out on their own, which often has a premium offer attached to it.

Acquisition Direct Mail Packages

Although some P&C direct marketing efforts have moved to minimalist formats such as snap packs and postcards, most of the efforts take the form of classic packages. They’re comprised of a No.10 or 6" x 9" envelope with teaser copy (jumbo envelopes were in vogue for awhile and they’ll probably come back), strong letter, a “slim-jim” brochure, short-form application and reply envelope. Plastic cards, once mailed in the trillions, are still being used in some cases.

Diametrically opposed to this is the direct mail that agents send out on their own. This mail is often poorly written and designed. Its virtue is that it looks like it is coming from an individual.

Retention and Cross Sell

To this day, some companies and an overwhelming number of agents believe that customer relationship

management means sending an invoice at renewal time. Other companies send personal letters with offers for a coverage review and/or discounts on additional policies.

A package from one major insurer unfortunately combined a solid agent-personalized letter with a slick outer envelope and brochure. The result was a very confusing message directed at consumers.

Premium rates have traditionally been the drivers of response in P&C insurance direct marketing programs.

Designing and Testing an Agent-Driven System

Once a marketer has mastered the basics of direct marketing, how can they be applied to an agent-driven system? How can one ensure that he or she leverages the best of both channels?

First, an agent needs to move away from what is perceived as the slick and deceptive aspects of direct mail, even if this works. It is possible to take the principles of attracting attention and arousing interest and move them much closer to one-on-one marketing. To do this, think of simulating the approach today’s smarter agents might take in a room—face-to-face with just a few prospects.

Giving an agent direct mail acquisition tools is great. However, the agent must also be encouraged to nurture existing customers, using not only direct mail but e-mail and the telephone as well.

It is key that thorough testing be done before the formal program is launched. Testing should include:

Database segments

- Modeled
- Demographic best guesses

| CONTINUED ON PAGE 6 |

Offers

- Premium
- Freemium
- None

Creative strategies

Creative execution/formats

Product vs. service

Geo differences

For retention and cross-sell efforts, the test factors should include product sequencing, offers, message intensity (how “hard sell” should it be?), timing, frequency and the life stage of a policyholder. Think about life stage to determine how many communications a first-year policyholder should receive versus a policyholder in his tenth year.

Recruiting agents for beta testing is part of this agent-driven process. Once the program has been thoroughly tested, offer it to both captive and independent agents through a portal. The idea is to get as many agents as possible to sign up. It is important to:

- Make enrollment easy—online with just a minimum amount of time invested.
- Let the agents choose from various mail plans—packages, timing, etc.
- Show agents how the costs are subsidized, and what it would cost if they did direct mail on their own.
- Allow participating agents to pay as they go, by credit card or check.

Getting Agent Buy-in

Successful selling of the enterprise direct marketing program to agents requires an understanding of the agent mindset. For most agents, direct marketing is the enemy. In their minds, direct mail programs have robbed them of commissions. Even if the agent can be convinced that the enemy is now a friend, you have another battle. Too many agents believe that e-mail replaces direct mail. They really don’t understand that you can’t successfully use e-mail for acquisition. They also don’t truly understand the concept of investing in customer acquisition and customer nurturing.

Educating agents is crucial. They need to understand the value of direct marketing and customer communications and have to be taught the basic principles of direct marketing success. They need to be included in a marketing ROI “chalk-talk” and must know the system and how to use the portal. But most important, perhaps, is that agents must be convinced that the enterprise direct marketing program is a system that works.

Successful selling of the program to agents also requires the right communications. You should use multiple channels—direct mail, e-mail, webinars and DVDs. Your beta users can help you sell, too. Part of the selling process should involve motivating and providing clients with incentives to participate. Incentives could be offered for:

- Participation by a certain date
- Promotional steadfastness
- Improvements in premium written

The Economics of Agent-Driven Direct Mail

Putting up a portal, testing before the launch and communicating with agents is an investment of time and resources. Even if the agents pay most of the costs of the direct mail, the marketer’s investment is substantial.

A marketer might ask, “Why do it then?” First, there’s the benefit of a double hit on the investment—gaining new customers and retaining current ones. At the same time agents stay happy and the portal acquires new agents.

With an agent-driven program, marketers can appeal to prospects that might never have responded to carriers’ direct mail efforts because these prospects are responsive to the “agent-only” channel. An agent-driven program also gives agents a system for increasing retention and lifetime value of a customer.

Channel bending—combining the best of the direct marketing channel with the agent-driven system—can be a win-win for all involved. ▣