

Case Study

Stopped \$60M of life insurance policies p.a. being transferred to other providers

Project background

Whenever policyholders and independent financial advisors contacted a life insurance company for a current transfer value quotation, they would compare the details provided with competitors' benefits. The company had no process to try and retain the business in such situations or to provide customers with available policy options. As a consequence over \$60M p.a. of policies was being transferred to other providers.



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Problem

Following stock market falls the company had been the first life insurer to cancel policyholders' annual bonuses and policyholders started to transfer their policies to other providers at an accelerating rate. A Six Sigma project was set up. Pareto analysis showed that five competitors were benefiting from over 80% of the transfers out. After mapping the process the team realised that all of the key decision making process steps were in the hands of independent financial advisors (IFAs)

The Six Sigma team decided that as no process existed a DMADV (design, measure, analyse, design, verify) approach was needed. The team designed and conducted customer and IFA surveys. SIPOC maps of the IFA / customer interaction were produced. The team found that no efforts were made to retain business, no discussions were held with the customer about why they were considering transferring their funds to another provider, and no efforts were made to discuss any issues with IFAs about the reasons for transfer out. The company did not communicate with its customers or IFAs about the company's healthy and improving trading position. Lastly, transfer quotations and declaration forms were issued to customers and IFAs without question.

After extensive data analysis and hypothesis testing the project team found that false perceptions about the company's solvency position, a more conservative approach to policy projections and a lack of communication with customers were the three main reasons for policyholders transferring their policies to other life insurance providers.

Solutions

Policyholder and IFA telephone call existing and new micro level maps were produced. The new process introduced previously missing steps to speak to customers with scripts and attempt to retain the business. The Six Sigma project team reviewed policy types and developed a "treating customers fairly" policy options matrix. Training was provided to all relevant staff on the purpose of retention strategy, which products the company wanted to retain, why customers were transferring out, and the levels of business being lost. They were trained to use scripts to speak to all customers and IFAs who telephoned for a transfer out quote, contact customers who wrote in for a transfer quote, advise the current company position and discuss with customers the policy options available to them using an easy to understand options matrix.

A group was established to create comprehensive IFA communication media documentation to keep IFAs up to date with the company's strengthening position. The team used design FMEAS extensively to monitor risks with this new process. "Outbound" scripts were introduced to contact policyholders who request a transfer quotation in writing.

This script was agreed by compliance, actuarial & corporate communications departments and a rigorous control plan was developed.

Business benefits

The daily statistics data developed by the Six Sigma project team was used to create management information on retained and transferred business. It showed rapidly diminishing transfer out rates when policyholders and IFAs were properly informed about their options.