

SAMPLE



J.D. POWER
AND ASSOCIATES®

TOP SERVICE PRACTICES IN PERSONAL LINES INSURANCE

*A Management Discussion based on the
2008 Insurance Customer Contact Study*

November 2008

Top Service Practices in Personal Lines Insurance

Introduction

Each year, 9 of 10 auto insurance customers will renew their policy with the incumbent insurer, a retention rate that far surpasses that of companies in many product and service industries. For example, Toyota Motor Company achieves the highest make-level loyalty in the automotive industry, yet retains only 57% of its new-vehicle customers in the United States.¹ The level of customer loyalty in the personal auto insurance industry is partly due to customer inertia (39%), but is more a result of service satisfaction (45%) and brand reputation (16%), which itself is influenced by customer experience.² According to the *J.D. Power and Associates National Auto Insurance Study*,SM routine customer interactions are the No. 1 factor driving customer satisfaction with their insurer. A new study this year, the *2008 Insurance Customer Contact Study*, focuses on these interactions between insurers and their customers by service channel, with national benchmarks for the 25 largest insurers.

This study concentrates on the customer's most recent interactions with their insurer, and identifies performance improvement opportunities within and across the various interaction channels. Key Performance Indicators (KPIs) are highlighted for each interaction channel, demonstrating the specific, tactical-level metrics insurers can use to gauge customer satisfaction performance.

KPIs establish the relationship between the subjective impressions of the customer, such as *Responsiveness, Courtesy and friendliness, and Knowledge*, and the customer's objective service experiences (time on hold, number of representatives spoken with, reason for contact, etc.). For example, when making an appointment with their local agent, customers have a preconceived expectation regarding how long they should reasonably wait to meet with the agent. If the agent meets with the individual within this window of time, the customer tends to be satisfied. However, if the customer has to wait longer, satisfaction decreases.

This study identifies the "break points," from the customer's perspective, where these declines in customer satisfaction occur. This information allows insurers to focus on the critical behaviors that drive satisfaction, in order to manage performance against the service-level break points that deliver the optimum customer experience.

This Management Discussion, based on the *2008 Insurance Customer Contact Study*, will address the following questions:

- What are the most important service practices that insurers can deliver to maximize satisfaction in agency and call center service channels?
- How much more satisfied are customers when these practices are successfully executed?
- Which service channel most consistently delivers against these key service practices?

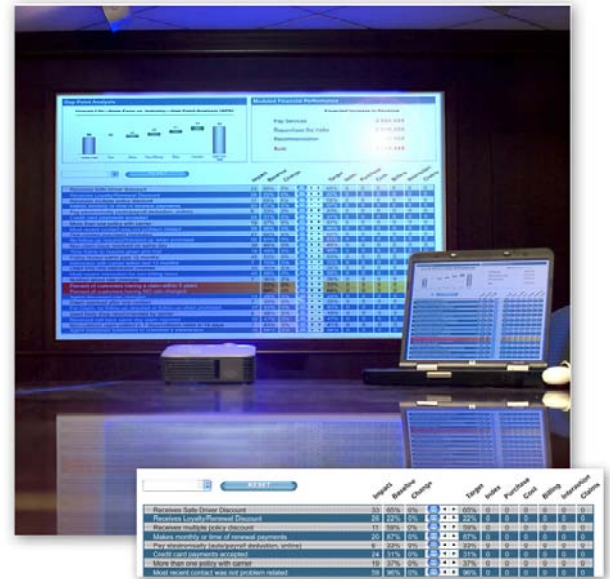
¹ Source: R.L. Polk & Co. press release dated January 23, 2008

² Source: J.D. Power and Associates 2008 National Auto Insurance StudySM Management Discussion

When developing performance improvement strategies, it is necessary to take into account the combined effects of multiple potential initiatives aimed at different customer touch points. To this end, the *Direct Action Planning Simulator* was designed to include all of the KPIs identified in this study. By adjusting the levers of performance on any combination of these KPIs, insurers can use this tool to simulate the effect KPI compliance behaviors will have on their overall CSI score, and the financial gains to be realized through successful implementation of these initiatives.

J.D. Power and Associates uses this simulator tool through a series of workshops designed to aid insurers in:

- Prioritizing those customer touch points that represent the greatest areas for customer satisfaction improvement
- Identifying the root causes for underperformance in each KPI
- Modeling the possible gain in satisfaction, retention and, hence, additional revenue and profit potential based on achieving higher KPI performance



Additional information on the *Direct Action Planning Simulator* and the 2008 *Insurance Customer Contact Study* is available on the J.D. Power and Associates consumer Web site (www.jdpower.com/insurance).

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