



**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.<sup>1</sup> 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.<sup>2</sup> According to the *J.D. Power and Associates National Auto Insurance Study*,<sup>SM</sup> 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?

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

<sup>2</sup> Source: J.D. Power and Associates 2008 National Auto Insurance Study<sup>SM</sup> Management Discussion

## The Top Service Practices

Fourteen service channel practices have been identified as vital to satisfying auto/home insurance customers when they contact their agent or their insurer for service needs. Nine are in the agency channel and 5 are in the call center channel. While the majority of these top service practices are unique to each channel, they generally group into a few key themes:

- **Speed**—Customers tend to have infrequent contact with their insurer or agency. However, when they do call, click, or visit in person, their expectations are based on the service experience they have grown to expect from interacting with other retailers, banks, and a host of additional service providers with whom they deal on a regular basis. As a result, they come to their insurer's call center, Web site, or front door comparing service delivery, including speed, against the best service they have received elsewhere.
- **Competence**—Irrespective of who they contact, customers expect their issue to be resolved by the first person with whom they speak, and don't expect to be passed from one person to another in order to resolve their issue. Customers expect to be in touch with an empowered and knowledgeable individual who has access to all the information required to resolve their issue.
- **Ownership**—Whether adding a vehicle or driver, requesting a quote, or paying a bill, the customer expects to complete their task in a single contact. Too often, this is not the case, leading them to either recontact the same service channel or resort to trying a second service channel to reach resolution. In either case, the customer becomes far less satisfied than if the task was completed in a single contact.

## Top Agency Service Practices

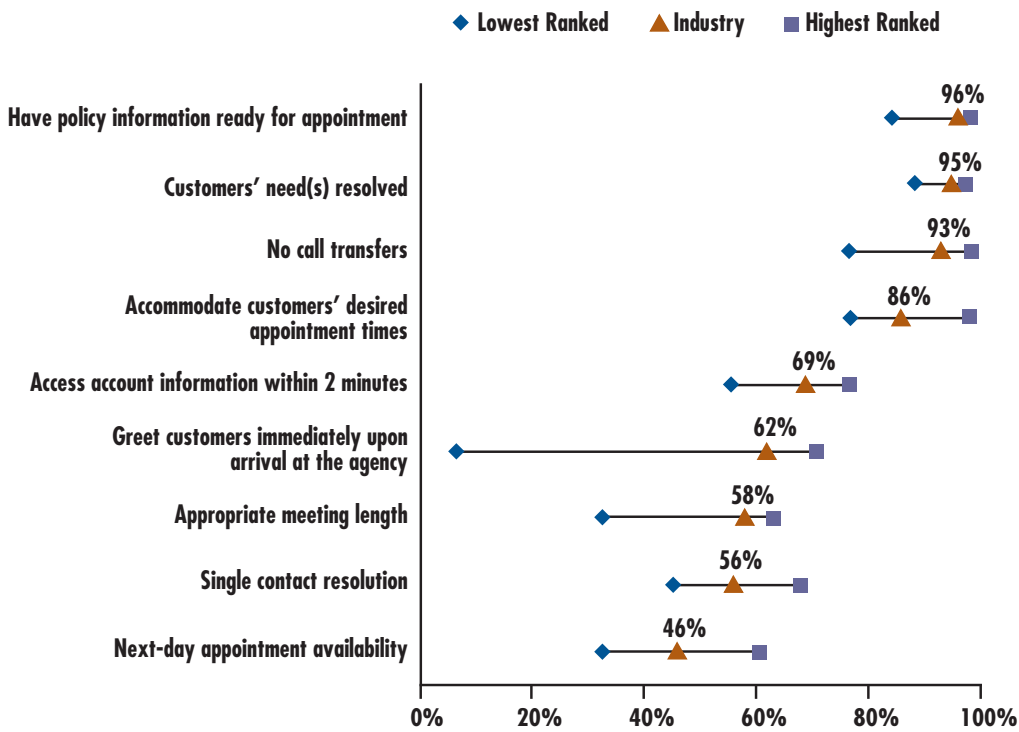
Figure MD1 displays the nine key agency service practices for handling customer interactions and the proportion of customers who indicate the practice was utilized in their most recent agency interaction, as well as the range of service compliance performance, from the highest-ranked insurer profiled in the study to the lowest-ranked insurer.

- More than 9 in 10 customers indicate their agency had their policy information readily available, and resolved their issue without transferring them.
- For the 30% who scheduled an appointment rather than calling or dropping by, more than 8 in 10 were given an appointment time that suited their needs—typically within 1 to 2 days from the time they called for the appointment.
- However, fewer than two-thirds of customers who recently contacted their agency found their agent ready for them immediately when they called or arrived for an appointment, or were able to accomplish their reason for contact in a single call or visit.

Service consistency varies significantly between agencies and across companies. Figure MD1 reveals that compliance varies substantially for all but one of the key agency service practices:

- The largest differential in service performance is for meeting customers when arriving at the agency. Fewer than 1 in 10 customers visiting the agencies of the insurer who is least compliant in this area report they were greeted immediately, compared to the industry average of 62%.
- Agency performance across insurers is most consistent for resolving customers' needs, with only 9 percentage points separating the highest-ranking insurer from the lowest-ranking insurer.

**Figure MD1. Delivery of Top Agency Service Practices — Industry Performance**



## Top Call Center Service Practices

Figure MD2 lists the 5 key call center service practices for handling customer interactions and the proportion of customers who indicate the practice was met in their most recent call center interaction, as well as the range of performance for service compliance, from the highest-ranking insurer profiled in the study to the lowest-ranking insurer profiled in the study.

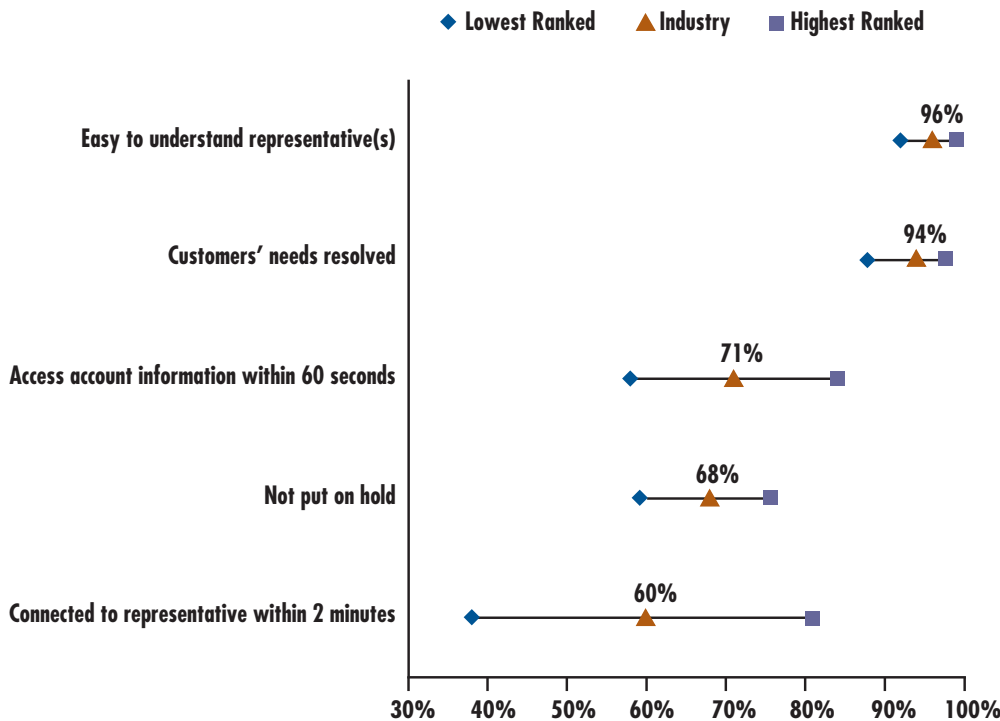
- While only 4% of customers had difficulty understanding the representative they spoke with, their satisfaction declines by more than 200 index points (on a 1,000-point scale) as a result of the difficulty. In the case of one national insurer profiled, customers experiencing difficulty increases to 8%.
- Nine in 10 customers report their issue was resolved from their original contact.

However, the industry compliance rate dips to 71% or less for the remaining 3 KPIs:

- Accessing the customer’s account information within 60 seconds
- Avoiding putting the customer on hold
- Being able to speak to a representative within 2 minutes

The range of call center channel performance is least consistent for connecting a caller to a representative within 2 minutes, with a difference of 43 percentage points separating the highest-ranked insurer from lowest-ranked insurer.

**Figure MD2. Delivery of Top Call Center Service Practices — Industry Performance**

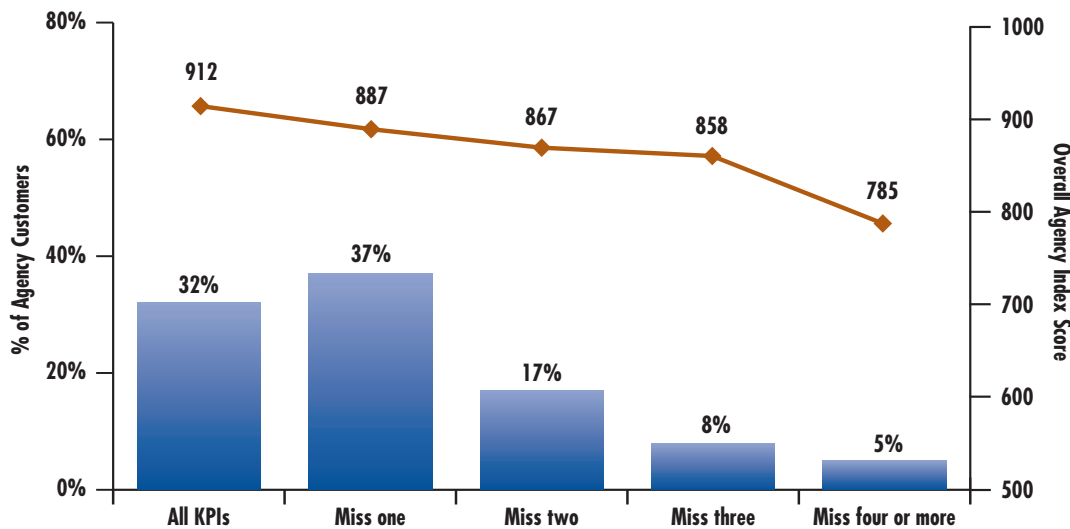


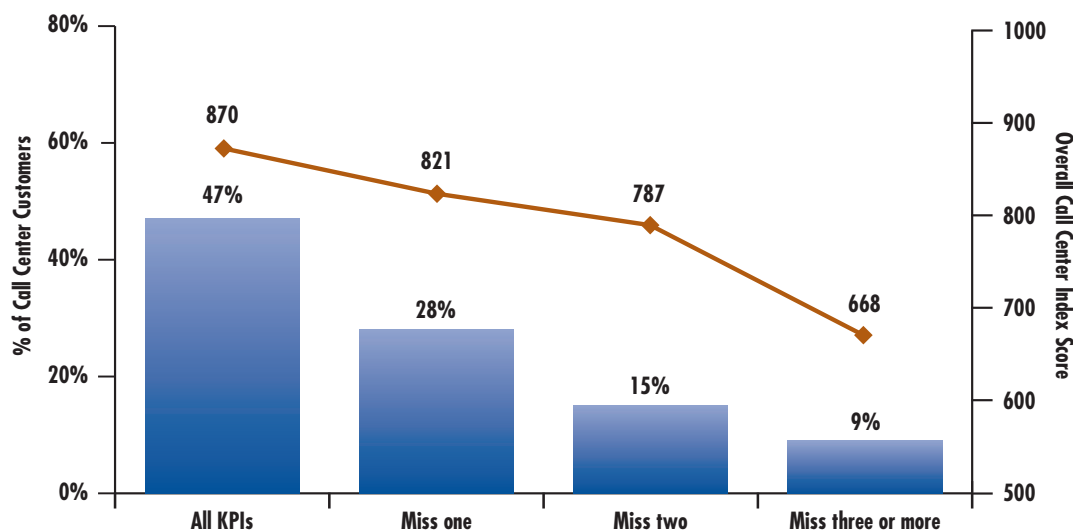
## The Impact of Executing on these Service Practices

Collectively, the key call center and agency practices define quality customer experiences. Figures MD3 and MD4 illustrate the extent to which the agency and call center channels comply with these KPIs and the impact that failure of one or more service practice has on customer satisfaction.

- One-third (32%) of customers who recently used the agency channel report no service “misses,” compared to almost half (47%) of those customers who used the call center service channel. This data strongly supports one of the major arguments in favor of the centralized call center service model—service consistency.
- However, when all KPIs are met, industry-average customer satisfaction scores for agency customers are significantly higher than those for call center customers.
- Furthermore, satisfaction declines more quickly as one or more call center KPIs is missed, compared with agency satisfaction scores. This suggests that customers are more tolerant of imperfect service from a local agency. This may be explained by the local staff they know personally, vs. impersonal representatives at a 24/7/365 call center.
- If an agency interaction misses on 4 or more KPIs, customer satisfaction falls to 785 on average, which is 127 points below the average for customers whose experience meets all KPI targets. In contrast, when a call center channel customer experiences 3 or more missed KPIs rates, the score is 668 on average—fully 202 points below the satisfaction level of the best-served call center channel customers.

**Figure MD3. Delivery of Top Agency Service Practices—By Overall Agency Satisfaction**



**Figure MD4. Delivery of Top Call Center Service Practices — By Overall Call Center Satisfaction**

## Leveraging KPIs within Your Business

This Management Discussion identifies the top service practices at the industry level and demonstrates the direct benefits of satisfaction when the level of service delivered is heavily focused on:

- Speed
- Competence
- Ownership

The top services practices analysis is intended to be an important first step in the full implementation of these service practice metrics; this and many others are discussed in greater length in the *2008 Insurance Customer Contact Study*. However, these initial steps can be more effectively prioritized within your organization by linking them to the financial levers of retention and advocacy. To this end, J.D. Power has developed a financial simulator that forecasts the financial return expected by measurable improvements in specific aspects of business performance.

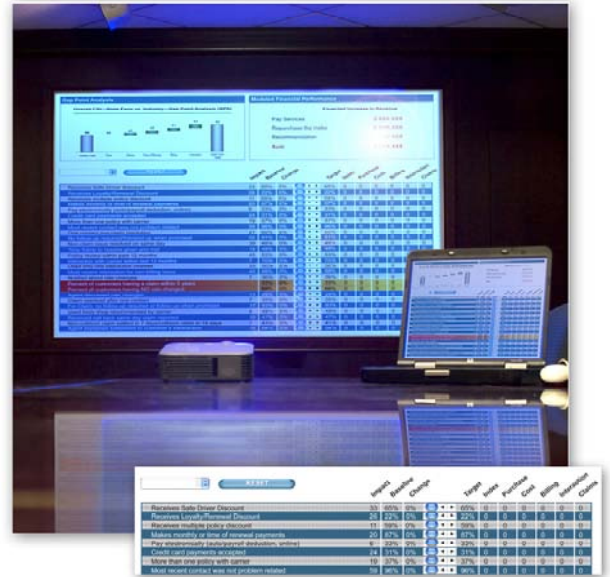
The focus is first placed on those rating attributes with the greatest impact on a customer's overall satisfaction with their insurer. Next, those diagnostic measures (KPIs) that most impact customer satisfaction are identified, and insurer performance is benchmarked for each. For example, when handling a policy change request, the key service practice is to do so *within 24 hours*. By projecting increased compliance with a given practice, an insurer can estimate resulting Customer Satisfaction Index (CSI) scores and model potential improvements in renewal rates and customer advocacy.



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](http://www.jdpower.com/insurance)).

**Authors:**

**Jeremy Bowler**  
 Senior Director  
 Jeremy.Bowler@jdpa.com

**Colleen Cairns**  
 Research Supervisor  
 Colleen.Cairns@jdpa.com

**Kevin Keegan**  
 Vice President  
 Kevin.Keegan@jdpa.com

**Jay Meyers, Ph.D.**  
 Director  
 Jay.Meyers@jdpa.com