US

The CallMiner Churn Index 2020

Insurance

Organizations

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for US Insurance Organizations

Insurance customers report rise in switching which see churn costs increase to $2.59 Billion[1] in the CallMiner Churn Index 2020

Two years ago, we commissioned a survey to ind out why US consumers leave providers. What we uncovered was widespread switching – with call centers playing a pivotal role in whether consumers stay loyal or decide to switch.

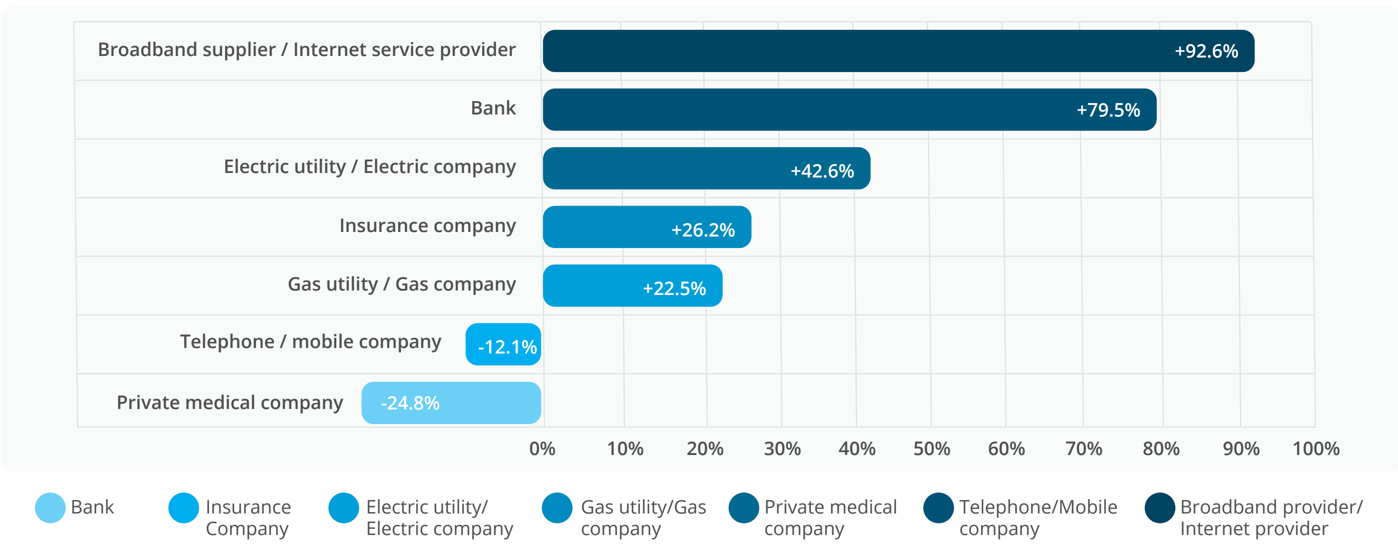
This year, we decided to repeat the exercise to see what's changed. This report is based on the responses of US consumers who switched insurance companies in the last 12 months. It is a companion document for the complete US report which can be seen here. The total cost of churn for insurance providers is $2.59 billion a $540 million[2] increase since 2018.

1 Churn rate for insurance rises by over a quarter - moving the insurance sector down from 2nd place in 2018 to 4th place in 2020

The 2020 CallMiner Churn Index[3] shows that, in the last 12 months, 25.4% of consumers said they had switched insurance providers. However, while other sectors (banks, broadband providers and electric providers) saw much bigger increases in customer churn, the insurance sector moved down from second to fourth place in terms of the percentage of customers who switched providers.

While the average rate of churn per consumer only increased by 12%, the insurance sector saw customer churn rise by twice as much (26%) from 20.1% to 25.4%. This represents an additional 13.5 million insurance customers that switched compared to 2018, at a cost of $540 million to US insurance providers. Although high, this increase was less than one third the increase experienced by the banking sector, for example – see Chart 1.

Chart 1 - Rates of switching per sector last 12 months - % increase / decrease 2018 to 2020



1. According to the United States Census Bureau there were estimated to be 254.714 million adults in the United States in 2019. Based on the results of the survey, 25.4% of the adult population = 64.70 million insurance customers changed providers in the last 12 months. A conservative cost of acquiring a customer is $400 per person when incentives, advertising and administration costs are considered. 64.70 million @ $400 = $2.59 billion

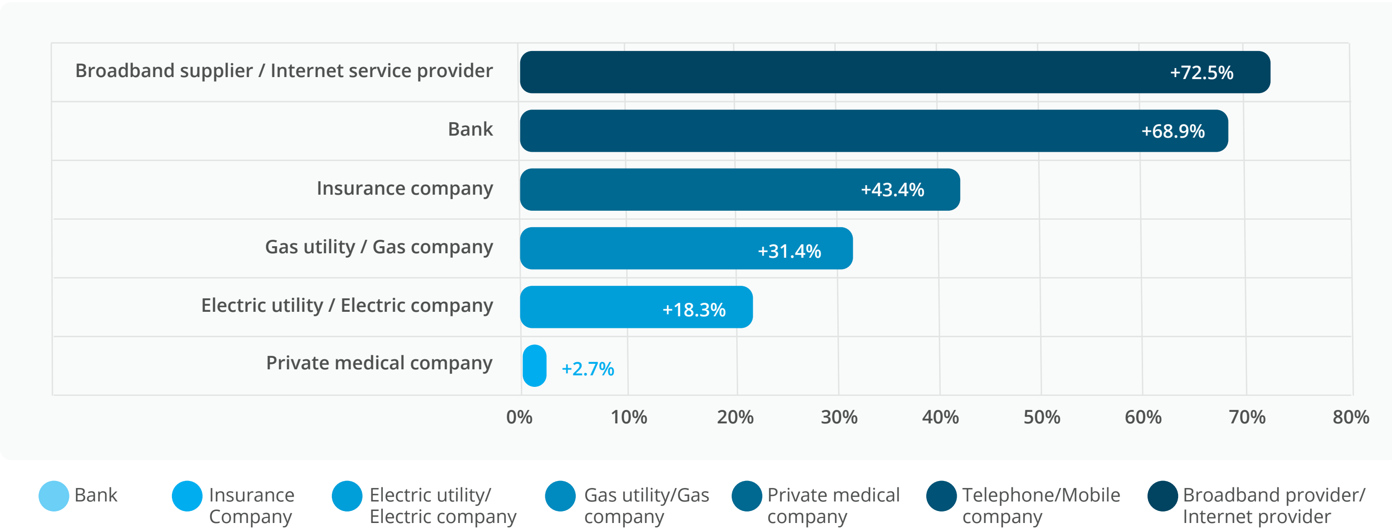
2. US adult population is 254.714 million. 5.3% more adults changed providers in 2020 than 2018. 5.3% of 254.714 million = 13.5 million people. 13.5 million @$400 = $540 million

3. The research was carried out for CallMiner by 3Gem Research & Insights. 2,000 US adults who had contacted a provider in the previous 12 months responded to an online survey in February 2020.

2 Insurance heading for a rise in churn

More insurance customers are planning to switch in the next 12 months (43%) than those who were planning to switch in 2018. This is more than twice the increase in planned churn for electric companies, for example - see Chart 2.

Chart 2 - Increases in planned switching by sector since 2018



3 Unplanned customer churn is avoidable and costs insurance providers $703.2 Million[4]

In common with consumer behavior in other sectors, more insurance customers switch providers (25.4%) than plan to (18.5%). This means that 37% more consumers end up switching insurance providers than want to.

This represents 17.6 million customers and a cost of 'unplanned' churn of $703.2 million. As can be seen in Sections 6 and 11, many of the reasons for this unplanned churn are avoidable.

4 Price declines as a reason to switch providers and feeling unfairly treated increases

The 2018 CallMiner Churn Index uncovered that consumers wanted to stay loyal but were 'forced' to switch providers because of their bad practices. This year's index shows that three of the top four reasons to switch relate to unfair treatment. The biggest increase since 2018 was for feeling unfairly treated. This was up by over one fifth (22%) to 40.7% and is 18% higher than the average across all sectors. As a result, unfair treatment has moved to number two on the list of reasons to switch providers.

One third of customers (33.7%) switched providers because of not being rewarded for contract renewal (i.e. no reward for loyalty), a rise of 5% since 2018. Nearly as many (30.9%) people switched because of not getting the same discounts as new customers – up 4% since 2018.

Price remains the number one reason for churn, but declined by 24% to 55.1% This is significantly lower than the all-sector average. Price is also the only reason out of the top four that has decreased since 2018 – see Table 1.

Table 1	Reasons for Insurance Customer Churn 2018 vs. 2020			
Reasons for Insurance Customer Churn	% 2018	% 2020	% change	% 2020 US average
Prices, rates are too high or have increased	72.1%	55.1%	-24%	60.2%
Feeling like you are not being treated fairly	33.3%	40.7%	+22%	34.6%
There is no reward for contract renewal i.e. no reward for my loyalty	32.1%	33.7%	+5%	32.4%
Discounts offered to new customers are not automatically applied to my existing account	29.7%	30.9%	+4%	31.0%

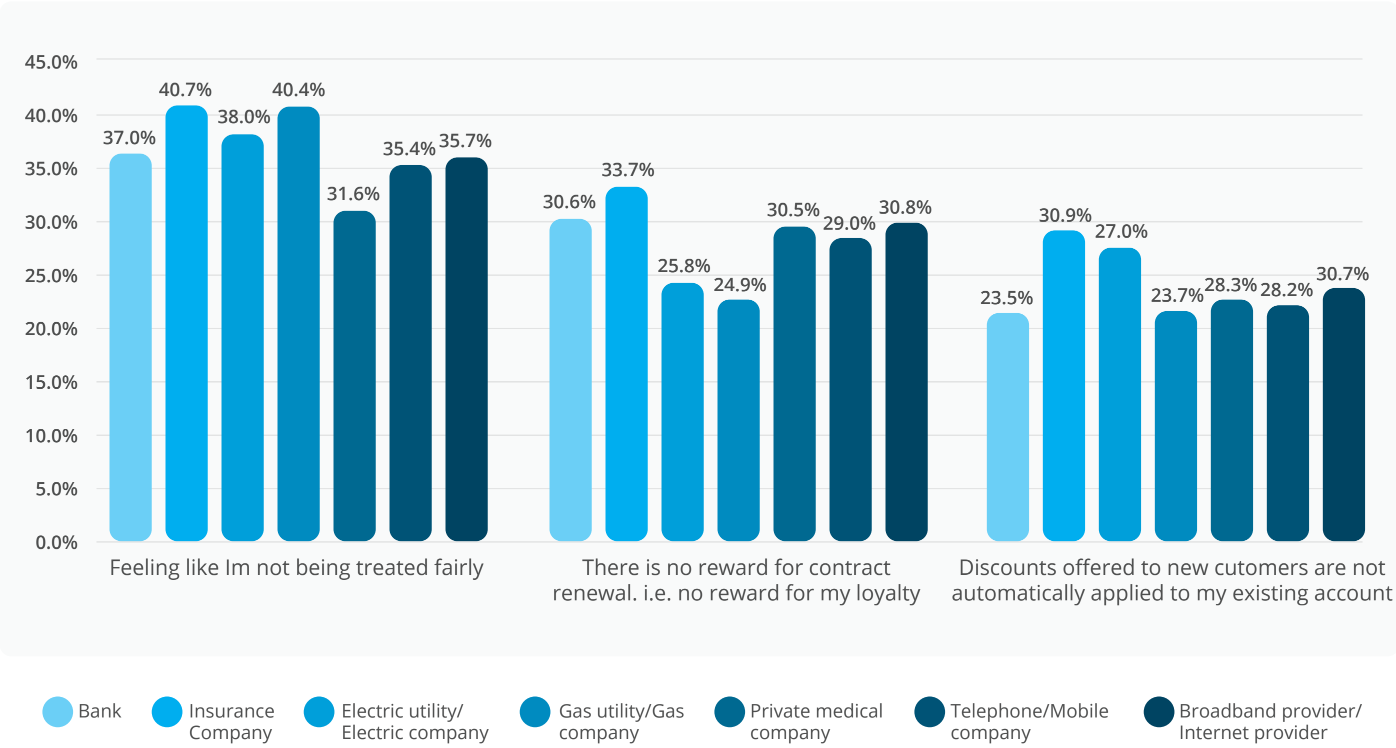
[4] The difference between the number of consumers who left their insurance providers and those who are planning to leave is 6.9%. 6.9% of 254.714 million US population = 17.58 million. So, 17.58 million x $400 (conservative cost of acquiring a customer) = $703.2 million.

5 Insurance sector worst for treating customers fairly

It's clear from the responses to the survey that insurance customers think that they are not fairly treated and switch providers as a result. When consumers were asked about their reasons for switching, the insurance sector ranked highest for feeling unfairly treated, not being rewarded for contract renewal and, discounts offered to new customers not being automatically applied to existing accounts – see Chart 3.

These responses are proof that consumers resent the money spent on attracting new customers rather than rewarding them for their loyalty. It's a business culture that creates a very expensive and avoidable revolving door of customers.

Chart 3 - Changing providers because of unfair treatment - by sector



6 Insurers put their call centers under pressure with over 45 million[5] calls that could be satisfied by a self-service channel

The 2020 survey revealed that insurance customers still prefer using the phone – with 76.2% using it to contact insurers this year. The top two reasons why customers contact an insurance provider are to resolve problems with the product or service (61.8%) or with charges (60.6%).

The next two reasons – making a payment and needing information – could be satisfied by self-service channels such as chat or website – see Table 2. This represents over 45 million calls that could be satisfied by self-service channels. In fact, 62.2% of customers would rather handle making a payment themselves (self-service) if the information was easily available.

This gives a clear signal to insurance companies that they need to optimize self-service channels to handle simple tasks. Doing so will take the pressure off their call centers and enable insurance providers to invest in 'super-agents' for more complex problems, meaning agents who are intelligent, empathetic, empowered and genuine problem solvers.

[5] If we look at the usage of the phone just by the number of insurance customers who changed providers in the last 12 months this equals 76.2% of 64.7 million i.e.49.3 million. So, of the 49.3 million insurance customers who telephoned a call center in the last year, 47.4% (23.37 million) called to make a payment and 43.9% (21.64 million) to get information. The combined total of calls is 45.01 million.

Table 2	Reasons insurance customers contact a call center		
Insurance Customers' Reasons for Contacting Call Center	% Insurance	% US average	% change
Needing to resolve a technical problem with the product / service	61.8%	62.5%	-1%
To resolve issues with the bill / service	60.6%	56.0%	+8%
To make a payment	47.4%	41.3%	+15%
Needing information about the product / service	43.9%	39.0%	+13%

7 Insurance call centers deliver a mixed experience when it comes to changing customers' emotions during a call

With such a high volume of customers contacting a call center with problems, it's vital that agents meet their needs. But nearly one fifth (18.7%) of insurance customers report that their emotional state changed from positive to negative during a call to an insurance company's call center – see Table 3. However, this is 3% lower than the US all-sector average and lowest out of all the sectors.

About half of insurance customers recorded a change from negative to positive emotions on their last call – 5% more than the US all-sector average. This shows that some agents can resolve problems and deliver a great experience. But other agents seem to deliver an experience that is so bad it turns a customer with positive feelings about the insurer into one with negative feelings.

Table 3	Change in emotional state from before to after a call to a call center		
Insurance - Change in emotional state	% Insurance	% US average	% difference
Negative to positive	49.4%	47.7%	+5%
Positive to negative	18.7%	19.3	-3%
Stayed the same	31.9%	33.1%	-4%

Table 4 shows the emotions for customers both before and after a call to a contact center. Nearly two fifths of insurance customers (39.8%) arrive at the call center annoyed; the same number (39.4%) arrive frustrated, almost one in five (18.5%) arrive angry, and one in 12 (8.1%) arrive ready for an argument! This highlights what a tough job it is for call center agents to satisfy customers.

It seems some insurance call center agents are good at taking the heat out of the situation. The highest response for the emotional state after the call, by 40.4% of insurance customers, is 'satisfied'. The number of people feeling annoyed fell by half (50%) from before the call, those feeling frustrated reduced by 44% and feeling angry reduced by 41% from before the call.

Table 4 - The impact of call center agents on customer emotions								
Emotion before a call	US average	Insurance	% difference	Emotion after a call	US average	Insurance	% difference	Change from before to after call
Annoyed	41.0%	39.8%	-3%	Annoyed	20.5%	20.1%	-2%	-50%
Frustrated	40.5%	39.4%	-3%	Frustrated	24.3%	22.0%	-9%	-44%
Hopeful	23.8%	28.9%	+21%	Hopeful	22.6%	25.0%	+11%	-14%
Wanting someone to listen to you	23.2%	24.4%	+5%	Feeling listened to	13.5%	13.6%	+1%	-44%
Upset	22.2%	22.8%	+3%	Upset	14.2%	12.0%	-16%	-47%
Confused	17.5%	21.5%	+23%	Confused	11.4%	14.2%	+25%	-25%
Angry	17.4%	18.5%	+6%	Angry	12.6%	11.0%	-13%	-41%

When compared to the average change in emotions across all sectors, insurance customers arrive in a negative frame of mind but seem to leave feeling more positive. For example, 8% more insurance customers than the all-sector average arrive ready for an argument but 41% fewer leave a call angry. In fact, insurance customers have the lowest scores of all sectors for feeling angry, upset, frustrated and ignored after contacting the call center.

The gulf between the impact of a good experience and a bad one highlights the need for insurance companies to invest in training super-agents giving them the tools to perform at their best.

8 Insurance companies are worst at recognizing vulnerability – but are getting better

Insurance companies are the worst out of all sectors for recognizing vulnerable customers, with less than two thirds (63.0%) of customers saying they were good at it. Yet this improved by 41% from only 44.8% in 2018.

However, just under a quarter of customers (22.4%) still think they are bad at doing so. Example interactions with vulnerable customers include when a customer contacts an insurance company to handle things related to a deceased family member.

9 Bad call center experiences drive people away

Call centers play a pivotal role in an insurance customer's decision to switch or stay loyal. An enormous 78.1% said they were likely or extremely likely to switch providers if they had a bad call center experience - see Table 5. This is up 4% from 2018 (75.2%) and further demonstrates that it is vital that call center agents are given the tools and training they need to deliver a great experience and keep their customers.

Table 5 - Likelihood to switch or stay loyal after a call center experience

	% 2018	% 2020	% difference
Likely or extremely likely to switch after a bad call center experience	75.2%	78.1%	+4%
Likely or extremely likely to remain loyal after a good call center experience	87.3%	91.9%	+5%

10 Good call center experiences encourage loyalty – Listening is key to success

The good news is even more insurance customers – nine in 10 (91.9%) said they were likely or extremely likely to stay loyal after a good experience with the call center - see Table 5. This is 5% higher than the number of consumers who said they would stay loyal in 2018 (87.3%). The ability to listen to customers is key to success. When asked about their emotional state before a call to a call center, a quarter (24.4%) of insurance customers said that they want someone to listen to them. However, only just over half of those who wanted to be listened to felt that they had been after the call (13.6%) – meaning almost half left the call feeling ignored.

Managing a call in a way that converts an unhappy customer into a happy one is therefore incredibly valuable. Insurers should give their agents the information they need to take the heat out of the situation by using interaction analytics technology to analyze 100% of calls and identify words, phrases and acoustic qualities that trigger a positive response from customers who arrive unhappy.

Armed with this insight, agents can adjust what they say and how they say it according to the behavior of the customer. By providing agents with access to post-call analysis it's possible to identify best practices and reinforce positive behavior. Real-time analysis can also identify when a call is deteriorating and prompt the agent in real time to adjust their approach in time to rescue the call and deliver a better customer experience.

11 The 10 avoidable call center behaviors that annoy insurance customers and may cause them to leave providers

As indicated in Section 7, most customers arrive at a call center in a negative frame of mind. Our survey results show that some call centers practices make matters worse. We have highlighted below the top 10 call center behaviors that annoy insurance customers and provide more reasons for churn. All of them are avoidable. Table 6 shows that insurance companies are annoying more customers than they did in 2018 for six out of the 10 measured behaviors. The biggest increase is for call routing options that don't include what customers need – increasing over one and a quarter times to 36.4%.

It's time to invest in super-agents

It's clear that insurance companies need to invest in empathetic, empowered, and intelligent super-agents, as the number two expectation their customers have is that their problems will be resolved on the first call. Not doing so became the second most annoying call center behavior – increasing by over two fifths (44%) to 41.1%.

It's time to analyze every customer interaction to identify process weaknesses like waiting times

The number of insurance customers who find long waiting times annoying doubled since 2018 to 62.4%. As a result, long waiting times became the most annoying call center behavior in 2020 – see Table 6. By analyzing every customer interaction, it would be possible to identify the reasons for these failings and take steps to reduce or eliminate them.

Table 6	The 10 most annoying call center behaviors for insurance customers			
2020 Position	Behavior to avoid	2018	2020	% change
1	Long waiting times (#2 in 2018)	30.9%	62.4%	+102%
2	Failure to resolve my issue on the first call (#3 in 2018)	28.5%	41.1%	+44%
3	Call routing options that don't include what I need (#11 in 2018)	15.8%	36.4%	+130%
4	Having to repeat myself from one contact channel to the next or from one adviser to the next (#1 in 2018)	41.8%	30.7%	-27%
5	Calls that are cancelled/drop out after holding (#6 in 2018)	21.2%	28.9%	+36%
6	Calls that are mis-routed after speaking to a call center adviser (#8 in 2018)	18.8%	21.7%	+15%
7	Long messages before being routed to the right person or function (#5 in 2018)	21.8%	16.7%	-23%
8	Failure to follow up as promised (#13 in 2018)	12.7%	15.4%	+21%
9	Call center advisers that work to a script that means they ask silly questions or make silly comments which have no relation to the conversation (#4 in 2018)	24.2%	13.0%	-46%
10	Call center advisers that don't seem to have access to my account information and my recent interactions (#9 in 2018)	17.0%	11.0%	-35%

The good news is that insurers have gotten better at providing agents access to customer information and at not expecting agents to always work from strict call scripts that makes them ask irrelevant questions.

There are some things a call center can't control in the battle for loyalty. But the survey results show that, with the right insight, there are many call center behaviors that could be avoided to increase the likelihood of a better customer outcome – and with it much less churn.

Insurers can use interaction analytics technology to identify process failures in line with these behaviors, such as calls dropping out and long waiting times, to ensure every interaction exceeds customer expectations and thus creates engaged and loyal customers.

To see the full results across all sectors, download a full a copy of the 2020 CallMiner Churn Index report here.

About CallMiner

CallMiner is recognized as a **leader in the speech analytics software industry**, transforming your customer interactions with conversational insight to drive positive experiences and profound business change. Uniting with our customers and partners, our platform surfaces intelligence captured across your multiple communication channels and compels action that leads to improvement within and beyond the contact center for customer experience, employee performance, compliance, security, fraud and interaction automation.

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Intelligence from Customer Interactions™

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