

Creating Customers for Life

What's the lifetime value?

For example, a customer buys a **\$350 policy** at your agency

- ▶ Number of additional policies the customer might buy in a lifetime = **50**
- ▶ Number of potential sales from customer referrals = **20** or

\$24,500
in Customer
Lifetime Value

How does loyalty pay you?

For example, an agent with an average book of 500 nonstandard customers loses 60% every 6 months.

- ▶ Average policy premium = **\$400**
- ▶ Average lost commission per cancelled policy = **\$25**
- ▶ Annual lost commission (500 customers x 60% attrition x \$25 x 2 six-month cycles) = **\$15,000**

By working on retention, the agent reduces attrition to just 40%.

- ▶ Extra commission (500 customers x 40% attrition x \$25 x 2 six-month cycles) = **\$10,000** or

\$5,000
in Additional
Commission for You

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5 WAYS TO CREATE CUSTOMERS FOR LIFE

- 1 **Work your customer cancellation list.** Use GAINSCO's built-in cancellation report (click Reports & Output > Cancellation Report). Contact these customers proactively and encourage them to maintain their coverage. (List is updated daily so review the information often.)
- 2 **Use GAINSCO's easy "Reinstate" button.** You can easily reinstate customers, without a lapse, for up to 7 days online after the cancel date. Simply locate the policy (click Manage a Policy > Policy Search), then click "Reinstate."
- 3 **Use GAINSCO's easy "Rewrite" button.** Locate the policy (click Manage a Policy > Policy Search), then click "Rewrite."
- 4 **Enroll your customers in Auto-Pay.** Policy holders who use Auto-Pay are **twice as likely to renew.** They also receive a discount and save on fees.
- 5 **Collect email addresses** from every new customer and use them to keep in touch. Also, use every contact opportunity to ask for updated phone and address information.

10 REASONS TO FOCUS ON CUSTOMER LOYALTY

- 1 A loss of one customer is more than just one policy — it's the loss of all policies the customer might ever purchase from you. This is known as Customer Lifetime Value.
- 2 It costs 5 times more to acquire a new customer than to keep an existing one.
- 3 A 2% increase in customer retention has the same effect on profits as cutting costs by 10%.
- 4 An average company loses 10% of its customers each year — and the rate is much higher in the insurance industry.
- 5 A 5% reduction in customer loss can increase profits by 25–125%.
- 6 Customer profitability tends to increase over the life of a retained customer.
- 7 Loyal customers refer their family and friends, which greatly multiplies the potential value.
- 8 On average, agents keep only 40% of non-standard customers to the end of their first 6-month policy cycle.
- 9 GAINSCO agents who work on retention can **keep 50% or more non-standard customers.**
- 10 Keeping just 20% more of your non-standard customers can result in a significant increase in commissions.

