

# BLUESUN WHITE PAPER: How CRM Has Failed Insurance



BLUESUN WHITE PAPER SERIES

## Overview

CRM was introduced as a tool that would improve customer service while increasing sales by maintaining all client data in a single location. The life insurance industry has been slow to adopt CRM, with many well documented project and ROI failures. Why has CRM had such a low take-up and why does it often disappoint in terms of ROI and business impact?

Our analysis points to a number of reasons including:

- Business factors that are peculiar to the life insurance industry
- Functionality requirements peculiar to the life insurance vertical that make horizontal CRM a poor fit
- General weaknesses in typical CRM packages
- The policy-centric nature of legacy administration systems and processes

## Business Factors

There are aspects of life insurance as a business that provide major challenges for CRM to overcome.

- Firstly, many financial products have **low service requirements**. Once the life insurance business has been acquired, the next significant event will likely be a claim or expiration. Service therefore does not typically provide an ROI justifying the cost of implementing a CRM. Consequentially, this function is in general provided by a servicing agent accessing multiple administration systems, possibly through a simple GUI overlay.
- Secondly, life insurance sales forces are typically **acquisition biased**. Even though it is generally well recognized that cross selling is cheaper than acquisition and that greater product-per-customer ratios result in higher persistency, there are more powerful forces at work to prevent cross selling from happening. Compensation structures and the training provided to new Producers actually encourage acquiring new customers rather than nurturing existing ones.
- Thirdly, and probably most importantly, is **poor data sharing** up and down the distribution chain. Life insurance has a complex B2B2C distribution and service model, with multiple levels taking part in the life cycle of a customer. For CRM to be truly effective, it has to provide an information convergence point for all these parties to see the interactions with the end client. Since carriers, distributors and Producers use different (or no) CRM tools, there is little to no sharing. A fragmented picture of the end client is the result, with no-one having a view of the customer that can be trusted to be comprehensive and up-to-date.
- Lastly, many insurance CRM implementations focus on the distributors as the clients of the organization without the connection to the actual sales results. This makes analysis on what works and what does not very difficult. Many CRM implementations are confined to usage as contact management systems. The scope of their impact is confined to the delivery of a semi-consolidated view of the client (the distributor) for the wholesaling teams.

## Vertical Requirements

There are other peculiarities to insurance that challenge the typical CRM package:

- CRM needs to handle the complexities of the typical insurance distribution structures and translate it to correct security and data visibility. For instance, Producers must only be able to see their own

clients. This is fairly straightforward, but when you layer in the multiple levels of distribution and the complexities of many-to-many relationships that the structure typically has, normal CRM can't handle it. As an example, consider a client who has two Producers (sharing commission), but the distributor must only be able to see the one Producer who has a contract with them. Or a producer with the Producer with different licensing codes who should be able to view their entire block of business without the need to sign in multiple times.

- To be effective for Carriers and Distributors, the CRM needs to give them a consolidated view of their Producers. Commission structures will have multiple instances of Producers reflecting the multiple contracts they may have or had with a carrier. To provide useful information to carrier wholesalers, a consolidated view of the sales activity and results of their distributors and Producers is essential to enable meaningful conversations. It also easily settles disputes on whether sales targets have been met for the purpose of sales bonuses and incentives. This works better if the Producer themselves can be directed to their own version of the report for self-service.
- CRM also needs to enable carriers and distributors to categorize their distributors and Producers so they can customize communications. Typical categorizations would include product expertise/focus, sales performance levels, channel uniqueness, regulatory environment and position in the distribution hierarchy.
- Insurers need to be able to market on behalf of the Producer as Producers are predominantly concerned with hunting for new clients and, in any case, are very unlikely to have up-to-date information on their clients as previously discussed. Carriers don't do this effectively due to the difficulty in communicating effectively with the client and the lack of good tools for distributing and tracking leads.
- CRM has limited utility unless it is connected to administration systems as this is a key visibility point for client activity, especially at the submissions stage. This requires systems integrator experienced in life insurance, where the age and multiplicity of administration systems provide a major challenge.
- The CRM system needs to be very intuitive and easy to use. Typically Producers will get little or no training, so the system has to hand-hold them and provide only what they need. CRM systems tend to be too complex to use and non-intuitive. Vendors have often responded to competition by fighting a feature/function war, which has left packages bloated and complex.
- Traditional CRM doesn't have the database structures to hold the specific information required, such as coverage or beneficiaries.

## General Deficiencies

There are also general deficiencies in CRM which can cause problems with its take-up or operation:

- CRM depends on tracking events or activity, but sales people are notoriously bad at this as their payback is small. In fact they are dissuaded from doing this because the information may be used against them at a future point. Sales people resent doing administration in deference to sales.
- CRM tends to have its own calendar functionality, when the world uses either Outlook or Lotus Notes. Either you then get conflicting appointments or the pain of trying to keep diaries in synchronization.
- CRM systems may operate in disconnected mode, which seems on the face of it a good thing. However, synchronization then becomes a support headache. Given the ubiquity of mobile

connectivity now and the fact that Producers don't tend to take their laptops to client meetings, why do this? There is also the security problem (data has to be loaded onto the laptop) and the fact that Producers or sales people who leave can now take the information with them to transfer clients.

- CRM doesn't support mobile devices (e.g. Blackberry and iPhone) very well, when this is the technology that most Producers will be familiar with and use the most. Simplifying the interfaces and pushing information is much more effective than waiting for Producers to pull the data.
- CRM tends to be very passive and is not designed to drive activity or any action; it doesn't drive more sales. To make an impact, it needs strong calls to action, and clear links to benefits for the user. It needs to change behavior to make a difference in sales.

## Summary

Insurance companies need to understand the objectives and requirements clearly when considering CRM. Trusting that a solution will have everything 'out-of-the-box' rather than matching solution capabilities with requirements can lead to costly and ineffective projects. There are unique requirements of insurance that need to be considered and choosing a vendor with a good track record in your industry may make the most sense.

## GLOSSARY

**Producer:** an independent sales agent who is responsible for face-to-face selling of financial products.

**Distributor:** an intermediary sales/marketing entity who sits between the carrier and the Producer. This could be a BGA, MGA, AGA or IMO.

**Sales Directors:** Sales people internal to an insurance carrier who support sales through the channels e.g. wholesalers, inside sales people, sales directors etc.

### About BlueSun

BlueSun Distribution Performance Management software increases the sales performance of insurance carriers and large distributors in North America.

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