Improving Persistence Rate in an Insurance Company

Case Study:
# Lower Persistence Rate in an Insurance Company

- **Business Case**
  - In a leading life insurance company's Kerala region the revenue was lower than other similar regions.

- **Project Objective**
  - Raise long term Persistency Rate of Kerala region from 64.9% to 74.4%.

- **Analysis -**
  - Using tools such as Process mapping, Pareto, Fishbone diagram & C&E matrix we identified all probable factors impacting the project. All the factors were analyzed through FMEA, 2T test, 2P test & ANOVA to identify critical ones.
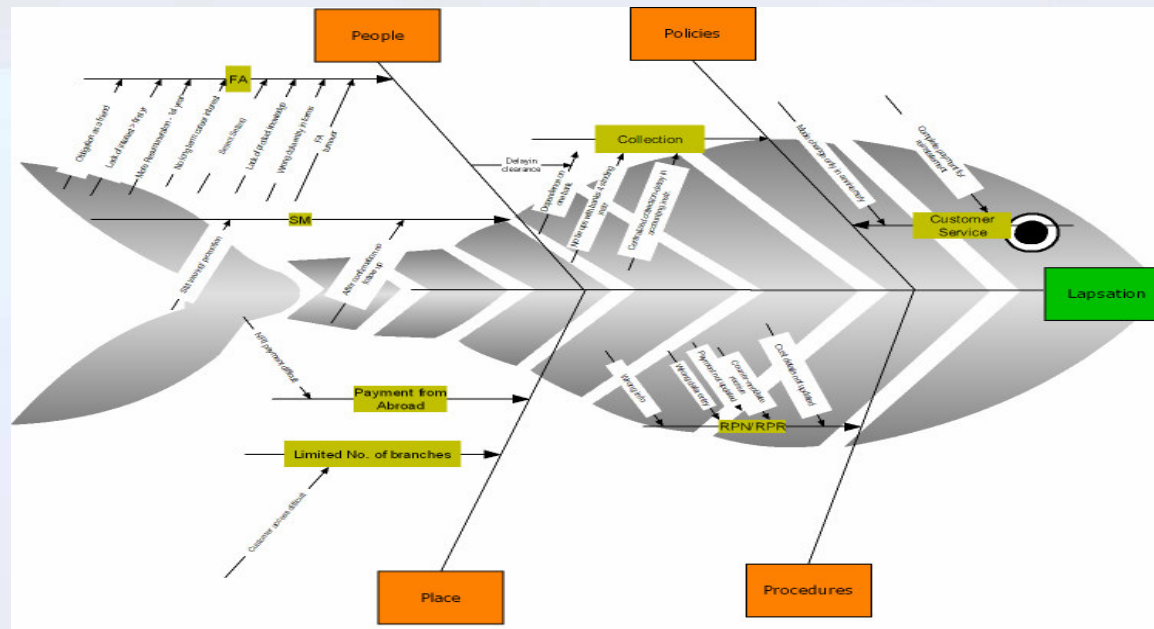
Follow Up – Telephone / Mail

Test and CI for Two Proportions

Sample	X	N	Sample p
1	20	800	0.025000
2	190	260	0.730769

Difference = p (1) – p (2)

Estimate for difference: –0.705769

95% CI for difference: (–0.760759, –0.650779)

Test for difference = 0 (vs not = 0): Z = –24.80

P–Value = 0.000

Since p value < 0.05 ; Follow up over phone is more effective

...Case Study:
Lower Persistence rate in a leading Insurance Company

- **Key Changes –**

- Remuneration of Financial advisors revised; persistency added.
- Persistency rate of Special schemes and normal schemes to be monitored separately.
- All Special schemes launched to be linked to persistency.
- Thank You call to thank & verify: Over commitment, Reason of joining, contact details verification.
- Encouragement to customers to change mode of payment to bank standing instruction.
- Final premium reminder letter should read 'LAPSATION' in block. Letter to be followed up with telephonic reminder.
- Pre-paid envelope to be sent to policy holders to facilitate premium payment.
- Instead of letters; telephonic calls initiated to the customers immediately after default on payment to investigate & win back.

2 T test to validate if the improvement has taken place;
Ho: The persistency rate before the project and after project is same
Ha: The persistency rate after is significantly higher than before project.

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Two-sample T for PR-New vs PR-Old
         N    Mean   StDev  SE Mean
PR-New   60   72.82   8.58     1.1
PR-Old   60   64.9    14.1     1.8
Difference = mu (PR-New) – mu (PR-Old)
Estimate for difference:  7.91733  95% CI for difference:  (3.70879, 12.12588)
T-Test of difference = 0 (vs not =): T-Value = 3.73  P-Value = 0.000  DF = 118
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P value – 0 ; Hence Ha is correct –

Significant Improvement has taken place

- **Project Benefits**
  - Customer satisfaction has gone up attributing it to improved communication.
  - Realized cost savings of over Rs. 27 lacs in 4 months.