



Case Study: Auto Insurance

Challenge

A Personal Lines Insurer was challenged in growing their auto insurance revenue base and was seeking alternative marketing approaches that could cost-effectively deliver preferred risk business. RPM Direct was introduced to the carrier through their relationship with a third party. This firm had observed RPM's success in helping launch other insurers into the direct-to-consumer marketing channel and was more than happy to facilitate an initial capabilities overview meeting. Following this meeting, it was decided that RPM would conduct a feasibility study to assess the go-forward viability of a direct mail marketing effort.

Solution

RPM's process started with a feasibility study based on the client's past marketing efforts. In this instance, prior marketing activity was somewhat limited but it did show the potential for profitable direct mail customer acquisition. Consequently, RPM recommended that the client proceed to a test marketing campaign from which information would be gleaned to determine an optimal multi-dimensional profitability targeting strategy. The test would result in the predication of predictive models that would isolate the most likely response and purchase candidates. In addition, the test would scale how large the potential universe would be within the constraints of the clients' acquisition cost target. To protect against adverse risk exposures, RPM worked closely with client's marketing, actuarial and product to stratify the model sample into well-defined risk groups using credit based and demographic criteria.

Following the test marketing campaign, gains charts were produced that revealed the client could profitably mail 10 million direct solicitations annually to prospects who met preferred risk criteria. It was further estimated that through continued iterative testing and model enhancements this volume of mail could likely go much higher. To address quality of risk concerns, RPM would utilize its dynamic scoring and segmenting system to accurately rank prospects likelihood of retention and persistence, thus providing a sharper analysis of direct marketing effectiveness. RPM would engage analytics and their deep technical expertise to identify the highest value prospects. These prospects would then be rank ordered enabling RPM to market, on the clients' behalf, only to those individuals likely to produce a profitable lifetime value.

Results

The initial prognosis proved to be accurate and 9.8 million mailings were conducted in the first year. Most importantly for the client, the mailings produced a desirable mix of business and satisfied their preferred risk preference. Continued mailings allowed for refinement of existing models and the development of new models. Many years later RPM continues to conduct the direct mail effort for this client with annual volumes far in excess of those mailed in the first year.