TruAudience®

New Directions for Insurance Marketers

Do you know who your next customers are and where to reach them?

TransUnion®

Introduction

Today's insurance marketers are facing two sets of challenges: **radical shifts in the way that consumers are shopping for insurance** (triggered in large part by the state of the economy) and **structural changes to the marketing ecosystem** itself.

This dual threat is pushing the industry into unknown territory across the entire insurance portfolio, from personal lines to life insurance. And while cutting costs and rising premiums continue, **the fight for the right customers is as fierce as it's ever been**. What can insurance companies do to remain competitive?

In [The Future of Acquisition Marketing], TransUnion's recently released playbook, we shared a simple framework to help marketers in regulated industries address existing obstacles and develop a sustainable customer acquisition strategy. What does that framework look like if we apply it to the insurance industry, and what lessons can we draw from it?

TO MAKE THE MOST OF THE OPPORTUNITY, YOU SHOULD:

RESET

Understand what customer acquisition means in today's world

PLAN

Set the right strategy for your company's customer acquisition objectives

ALIGN

Align your marketing organization to deliver on your strategy

TEAM UP

Team up with the right data, tech and media partners to succeed

RESET

Industry challenges

The first step in TransUnion's customer acquisition framework is to **RESET:** Take a step back from business-as-usual and acknowledge that the marketing landscape has changed. For insurance marketers, that change comes first from highly challenging economic and market conditions.

INFLATION

Inflation has been a top concern for the US economy for more than two years now. At 3.0% for the year ending in June 2023, today's inflation rate[1] seems tame compared to a year ago (9.1%), but the cumulative effect is still weighing heavily on household decisions and corporate books.

HOME

On the home insurance front, more frequent natural disasters, high rebuilding costs and record-breaking reinsurance rates[2] are forcing an increasing number of carriers into insolvency[3] and leaving homeowners with much higher premiums to protect their properties and secure mortgages. In Florida, premiums are now nearly four times the national average.[4]

AUTO

For auto insurers, deteriorating driving behavior,[5] rising repair costs, and medical bills contribute to mounting underwriting losses. The industry's loss ratio for Q1 2023 hit a 20-yr high,[6] and car insurance rates increased 17% over the past 12 months.[7] According to Neil Alldredge, Chief Executive of the National Association of Mutual Insurance Companies, "It's probably the worst it's been for auto insurers in at least 30 years."

LIFE

The picture isn't much rosier for life insurers. After two years of growth due to the COVID-19 pandemic, life insurance activity is now back to its pre-pandemic downward trend. According to the MIB Group, activity in July 2023 was down 8.3% compared to July 2021, and down 1.6% compared to July 2019.[8] There are some encouraging signs of interest from younger generations, but overall, only 52% of American adults own life insurance today—a 10-point drop over the past 10 years.[9]

[1] U.S. Bureau of Labor Statistics: The Economic Daily (Jul 17, 2023)
[2] McKinsey: Global Insurance Report 2023
[3] Bloomberg Law: Storm-Driven Insurer Insolvencies Stir State Actions (Dec 29, 2022)
[4] CNN: Why it's becoming harder and more expensive to get homeowners insurance (Jun 19, 2023)
[5] TransUnion Internal Analysis: Life on the Road (2023)
[6] S&P Global (Jun 27, 2023): US private auto insurers break premium, loss ratio records in Q1
[7] WSJ: Car insurance rates are soaring with little relief in sight (Jun 24, 2023)
[8] MIB Group: U.S. life insurance activity flat in July 2023 (Aug 7, 2023)
[9] LIMRA: 2023 Insurance Barometer Study, 2013 Insurance Barometer Study

Marketing challenges

Insurance marketers face additional challenges: The marketing ecosystem they've come to rely on to reach consumers is currently undergoing enormous structural changes.

DATA DEPRECATION

The deprecation of third-party cookies and mobile identifiers has been much discussed over the past two years, and Google is currently on track to pull the plug by the end of 2024.[10] But data deprecation goes beyond digital identifiers. Too many sources of customer data today—from first-party data collected by insurers themselves to second- and third-party data from outside partners—are incomplete, outdated, or outright unreliable. The net result is poor customer experiences, reduced reach, inaccurate targeting and higher spend.

MEDIA FRAGMENTATION

Consumers have more media options today than even a couple of years ago. New social platforms, connected TV, retail media networks and other digital channels are emerging every day, affecting not just where consumers spend time but also the way they respond to advertising. What worked in the past might not work anymore. This puts pressure on insurance marketers to reevaluate their media strategy, especially since direct marketing has traditionally played such a central role.

SHOPPING HABITS

It's not just media habits but also consumer shopping habits that are changing. One of the key trends we highlighted in TransUnion's Insurance Trends and 2023 Outlook Report was the wide adoption of digital tools across the entire policy lifecycle. The human touch remains a crucial component of the customer experience, but policyholders expect many of their interactions to be online now, even for lines that used to rely heavily on agents, like life insurance.

PRIVACY

Privacy expectations are transforming the marketing landscape around the world, from GDPR in Europe to CPRA and a growing number of state-level bills in the US,[11] and there's little doubt regulations will only be more stringent going forward. Privacy isn't just a compliance requirement, but a competitive advantage too: Consumers trust their insurance carriers with personal and financial information, so it's paramount those companies have strong data security and privacy controls in place. More than 40% of consumers would abandon an application if they didn't think their data was in safe hands.[12]

[10] Techcrunch: Google will disable third-party cookies for 1% of Chrome users in Q1 2024 (May 18, 2023)

[11] IAPP: US state privacy legislation tracker

[12] TransUnion: 2022 Global Digital Fraud Trends

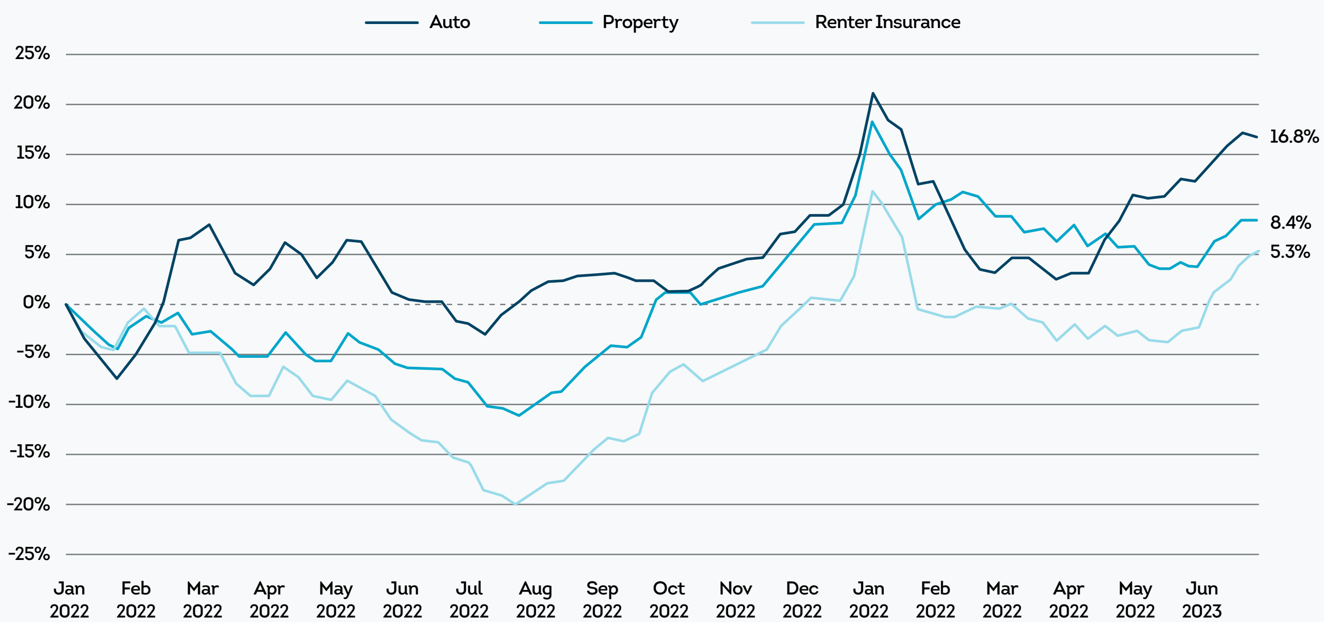
PLAN

Increased shopping and switching

The next step in our customer acquisition framework is to **PLAN** and set the right strategy to meet your business objectives. This starts with a thorough understanding of your prospects and customers: who they are and what their behavior shows about their current mindset.

Let's start with their shopping behavior. At TransUnion, we track the extent to which consumers are shopping around for new policies, as shown in Figure 1. As of July 2023, nearly 17% were shopping for a new auto policy, more than 8% for property, and 5% for renter coverage. Not all consumers who shop around for a new policy end up switching (the auto insurance switch rate stood around 4%, according to a joint analysis by TransUnion and J.D. Power[13]).

Figure 1: Year-over-year percentage change in number of insurance shoppers by line of business



Source: TransUnion internal data. Note: YoY Percent change is calculated on a weekly basis using three-week moving average over 18-month rolling period.

Check out TransUnion's Q4 2023 Insurance Personal Lines Trends and Perspectives report for more insights on consumer behavior and how it varies by credit-informed insurance score

[13] J.D. Power 2023 Q2 Quarterly Shopping LIST Report, in collaboration with TransUnion

Gen Z in the spotlight

Which customers will sustain your company's growth in the coming years? Gen Z consumers and young Millennials are entering their most active credit-building years and represent 47% of all high-propensity insurance shoppers today.[14]

Bankrate asked US consumers a few years ago what they thought the ideal age was to buy their first car and first home. The answer was 21 and 28, respectively.[15] In the current economy, 20%-25% of young adults are putting those plans on hold,[16] but key financial milestones early in life remain decisive triggers for property and casualty insurance marketers. And while 39% of all adult Americans say they're planning to purchase life insurance coverage in the next year (an all-time high according to LIMRA) the intent to buy is even stronger among Gen Z (44%) and Millennials (50%).[17]

Young adults are a key demographic target for customer acquisition across insurance lines, and insurers should use modern audience-building solutions to reach them on their favorite media platforms, and deliver products and messages that appeal to them. Voice and direct mail alone won't cut it. TransUnion's 2023 Insurance Consumer Survey found Gen Z consumers are 2x as likely to learn about a new product or offer on social media (34% compared to 17% for all adults), desire personalized offers (37% vs. 25%), and prefer email for brand communications (48%). They're also surprisingly less sensitive to pricing than older consumers.

Figure 2: To reach young insurance consumers, don't leave social and other modern media platforms out of your marketing mix

21	47%	44%	2x
Ideal age to buy or lease a first car	Of all high-propensity insurance shoppers are 18-34 today	Percent of Gen Zers who intend to buy life insurance in the next 12 months	Gen Zers are twice as likely to learn about insurance offers on social media

Curious about how Gen Z compares to other age groups in their behaviors and attitudes towards personal finances? Check out TransUnion's Consumer Pulse Study

[14] TransUnion: Customers are Curious About Their Options; Are You Curious About Their Motivations?
[15] Bankrate: Americans reveal ideal ages for financial milestones (2018)
[16] Bankrate: Majority of Americans are delaying milestones and activities because of the economy (2022)
[17] LIMRA: New study shows interest in life insurance at all-time high in 2023

Make advertising work smarter

The third step in TransUnion's customer acquisition framework is to address areas of organizational tension and **ALIGN** marketing resources to deliver on your company's strategy.

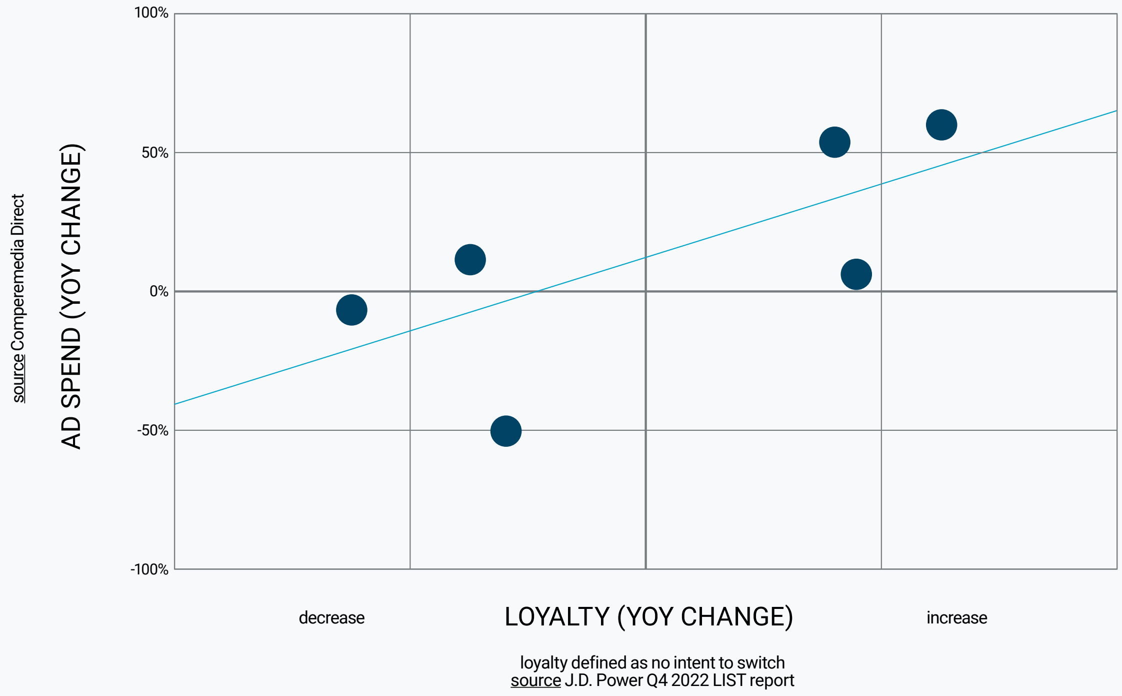
That's easier said than done. Many insurance marketers continue to struggle with silos organized around product lines, territories or channels, making it difficult to get a unified view of their customers and develop cohesive campaigns. And when they're at odds with the risk team, the reaction from the boardroom is often to cut the marketing budget, especially during tough times.

But there's plenty of evidence across many industries that shows when brands stop advertising, they lose share of voice in the short term, brand equity in the long term, and need years to recover.[18] Sales suffer almost immediately when a brand isn't top of mind anymore: According to J.D. Power, "Brands recalled by shoppers on an unaided basis are 4x more likely to be quoted than brands only recognized on an aided basis."[19]

Sales and brand awareness aren't the only performance measures affected by a decision to stop advertising. Many other crucial metrics like customer satisfaction, brand loyalty and lifetime value can be affected as well. With pricing pressures faced by the insurance industry today, marketers need to play the long game and measure their marketing investments accordingly.

Figure 3 shows the positive correlation between changes in ad spend and customer loyalty for six insurance carriers in 2022. Every case is different, of course, but looking at that plot suggests that advertising can carry substantial long-term value for insurance companies.

Figure 3: Correlation between changes in ad spend and customer loyalty for select insurance carriers in 2022



[18] Journal of Advertising Research: When Brands Go Dark (Jun 2021)

[19] unaided: without a prompt. aided: from a list. Source: J.D.Power 2020 U.S. Insurance Shopping Study

TEAM UP

Get the full-funnel vision

The fourth and final step in our customer acquisition framework is to **TEAM UP** with the right data, technology and media partners. Marketing effectiveness requires top-quality data matching, omnichannel activation, and measurement capabilities across the entire customer journey, from brand awareness to policy underwriting and beyond. That can only be accomplished with best-in-class partnerships every step of the way.

TOP OF FUNNEL

At the top of the funnel, the right partners can help expand the insurer's reach beyond traditional channels (like TV, print or direct mail) and into exciting new platforms like CTV, paid social and invitation to apply (ITA) campaigns informed by rich demographics and data linked to consumers' interests, preferences, and propensity to experience a major life event.

MID-FUNNEL

Mid-funnel, the right data partners can provide invaluable credit-informed and trigger data for marketers to bolster their audience segments and power intelligent ITA (iITA) campaigns on key media channels (like social, display or email).

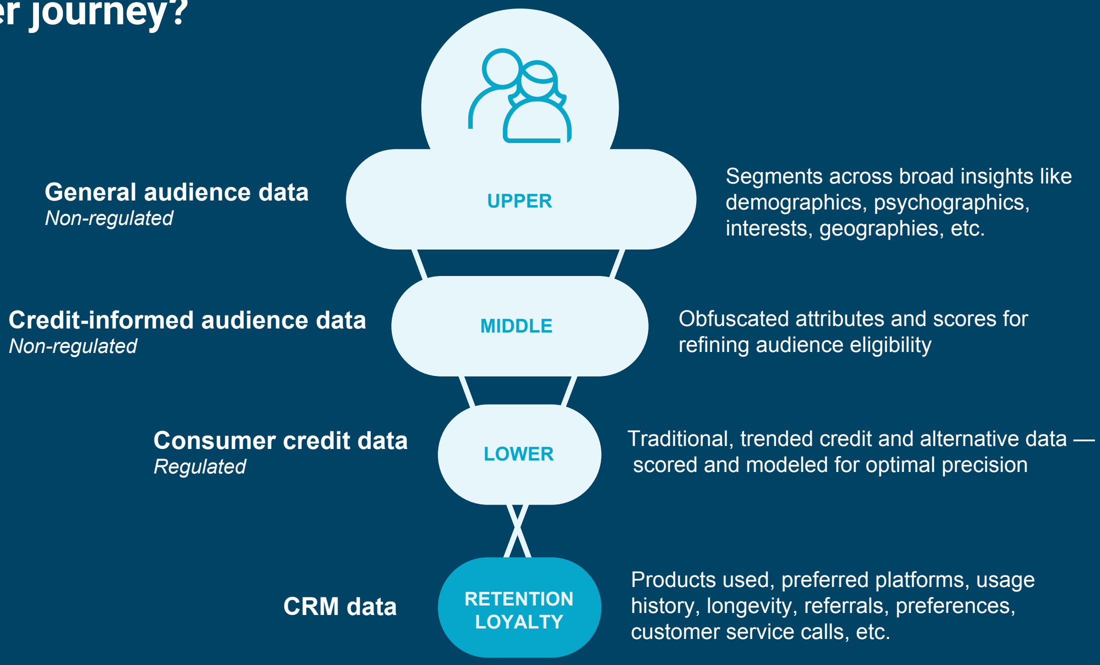
BOTTOM OF FUNNEL

And at the bottom of the funnel, marketers can select from a universe of trended credit, alternative, and traditional data attributes to activate traditional credit targeting solutions like direct mail prescreen, prequalification, and direct mail triggers. And by mixing in digital and email prescreen, they can optimize frequency and reach qualified consumers with well-orchestrated campaigns across all the channels that matter to them.

Figure 4 provides an overview of data attributes insurance marketers might use across the entire funnel to improve the performance of their customer acquisition campaigns.

Figure 4: Full-funnel overview of traditional and modern channels for insurance marketers

What data attributes can help you know your customers every step of the consumer journey?



How iITA is helping transform credit-informed marketing

The intelligent invitation to apply (iITA) is an exciting tool for insurance marketers.

Credit marketers have historically used common invitation to apply (ITA) campaigns to expand their reach beyond prescreened consumers. While ITA campaigns are useful to reach consumers on emerging platforms like walled gardens or connected TV, they generally use broad attributes (like household income) to target consumers and result in a lot of media waste, especially as a mid-funnel tactic or at the bottom of the funnel.

IITA campaigns, on the other hand, leverage credit-informed attributes like retail and bankcard spend, financial status, insurance scores and propensity to buy across specific financial products and services. With a stronger aggregation and de-identification process in place, these data points can help insurance marketers build more risk-aligned, non-FCRA audiences ideally suited for more precise, mid-funnel, targeted campaigns on a variety of addressable channels, including email, programmatic display, social, and streaming audio and video.

Figure 5 shows how much a TransUnion client benefited from switching to iITA for a recent marketing campaign.

Figure 5: Credit-informed iITA audience dramatically improved campaign performance and reduced underwriting risk for recent TransUnion client

Credit-informed iITA criteria	Approval rate	Improvement vs. ITA benchmark
• Number of open credit card trades • Bankcard propensity model scores • Revolving bankcards with utilization	65%	+50%

To learn more about what iITA and other advanced, custom credit solutions can do for you, check out TransUnion [TruAudience Credit Marketing Solutions]

Conclusion

Today's marketing environment is difficult for every brand in every industry, but it's particularly challenging for insurance companies used to predictable consumer behavior and highly loyal customer bases. Squeezed between increased premiums and shrinking personal savings,[20] today's insurance consumers are shopping more often, and the youngest among them are coming into the market with very different expectations and media habits.

To thrive in this changing landscape, insurance carriers need to revisit fundamental strategies: resist the urge to cut marketing, find out who their new customers are, test out new channels, and invest in quality compliance and identity partnerships up and down the funnel to make the most of their media budgets and take advantage of the latest advances in credit-informed marketing.

[20] U.S. Bureau of Economic Analysis, retrieved from FRED, Federal Reserve Bank of St Louis

About TransUnion Marketing Solutions

TransUnion's (NYSE: TRU) marketing solutions business, TruAudience™, transforms marketing & media effectiveness with an end-to-end product line integrating identity resolution and enrichment, consumer insights, data onboarding, omnichannel targeting, marketing mix modeling, and attribution for brands, agencies, publishers, and technology providers.

About TransUnion (NYSE: TRU)

TransUnion is a global information and insights company that makes trust possible in the modern economy. We do this by providing an actionable picture of each person so they can be reliably represented in the marketplace. As a result, businesses and consumers can transact with confidence and achieve great things. We call this Information for Good®.

A leading presence in more than 30 countries across five continents, TransUnion provides solutions that help create economic opportunity, great experiences and personal empowerment for hundreds of millions of people.

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We invite you to connect with us and take your customer acquisition game to the next level.

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