

Insurance NetworkingNews

www.insurancenetworking.com

September 2004, Vol. 7, Issue 10

Horace Mann Sends A Clearer Message To Its Customers

When the Springfield, Ill.-based insurer embarked on a major corporate branding program, it determined that outsourcing customer communications was a better option than upgrading its internal systems.

By **Chuck Paustian**

In sports, a coach frequently will encourage an athlete to dig down inside for the motivation to reach new heights. In business, however, improvement often can be the result of a company looking outside its own walls.

Many companies across a broad range of industries have turned to outsourcing as a way of improving corporate performance, from call center operations to information technology management. The main benefits of outsourcing are the opportunity to cut costs, to take advantage of state-of-the-art processes and systems and to focus resources on an enterprise's core competencies.

The Horace Mann Cos., a Springfield, Ill.-based multiline insurer that focuses on the education market, was able to capitalize on all three fronts when it outsourced its customer communications operation last year.

A traditional approach

Horace Mann, which operates in 48 states, has about 1.1 million policies in force, a captive sales force of more than 900 agents, and a growing number of independent agents.

Until recently, all of its customer communications were designed, produced and distributed through an in-house operation.

"Like a lot of insurance companies, Horace Mann was what our president called a traditional 'brick-and-mortar' insurance company," says James Yale, vice president, client



relationship services at Horace Mann. "By that, I mean we produced everything ourselves."

A few years ago, however, the insurer began an effort to become more customer- and market-focused, and embarked on a cor-

porate branding campaign that included a new logo, tagline and customer-value proposition. To support that effort, the company needed to rethink its approach to customer communications, including renewal billings, policies, regulatory inserts and marketing messages.

“When you looked at all the customer touches we had . . . we were very efficient in delivery, but the quality of how we communicated was poor,” Yale says.

“We were missing the boat by not having a medium that promoted other company products and services.”

In addition, the infrastructure that supported the insurer’s communication efforts—printers, inserters, administration systems—was antiquated. “Our administration systems and our technology systems—both the hardware and software—could not produce what we wanted to produce,” Yale says.

The company’s communications also were confusing to customers, he adds. “We were probably encouraging phone calls, but not the kind of phone calls we wanted.”

The first step in addressing the problem was to conduct a cost analysis. As part of its research, Horace Mann talked to two outside firms specializing in customer communications.

“We then took a look at how much it would cost us to outsource production to a best-in-class service provider versus maintaining our in-house facility,” Yale explains.

In addition to the cost of the upgrades, Yale says the company also factored in expenses such as postage, call center operations and maintenance contracts for the machinery.

In the end, the analysis revealed that the initial expense of outsourcing customer communications would be greater than what the

INN focus

CASE STUDY:

Horace Mann Cos.

AT ISSUE:

The carrier instituted a corporate branding campaign several years ago that included a new logo, tagline and customer-value proposition. To support that effort, Horace Mann needed to rethink its approach to its customer communications.

THE SOLUTION:

The company’s in-house systems could not produce detailed customer communication, so Horace Mann outsourced the process to DST Output Inc.

THE RESULTS:

Presentation of information is much cleaner and clearer; customer satisfaction with the new formats has improved.

company had spent with its in-house production facility, but the ongoing costs would be lower.

As a result, Horace Mann in December hired DST Output, a Kansas City, Mo.-based provider of print and electronic communications services. And the transition to using the outside service provider for customer communications began in the first quarter of 2003 with the insurer’s annuity line.

“When we went into the annuity line, we made a conscious decision knowing it would cost more (at first) in terms of the cost of production,” Yale says. “But we believe we’re going to be better than break-even.” Production costs are expected to be “about 4% to 6% less over a five-year period,” he says.

Getting the message out

In addition, other benefits, such as greater customer satisfaction and loyalty and improved customer communications, will help the insurer grow its overall business.

The new approach to customer communications presents a more appealing message to customers and gives Horace Mann greater flexibility in promoting other products and services.

Previous communications were boring and often confusing, according to Yale. Statements consisted of a simple presentation of numbers, such as mutual fund shares owned, prior account value and current value. By comparison, the new documents use a pie chart to illustrate the customer’s overall financial position.

Horace Mann also added customization capabilities. For example, the insurer uses a rules matrix to personalize welcome letters from the company’s president to new policyholders.

In addition, if a customer pays a premium using an electronic funds transfer rather than a check, a message appears in the next mailing encouraging that customer to sign up for Horace Mann’s “Easy Pay” electronic payment service.

That customization capability also benefits the insurer’s agents. For example, if a retirement system offers an early retirement option, Horace Mann can identify which customers are affected and include a message suggesting they call their agent to explore the possibility.

DST Output also stores all of Horace Mann’s documents and messages electronically so only pertinent information is included in each mailing—and each communication is well-organized.

“When you put things hodge-podge into an envelope, you lose the message,” Yale explains. With the help of DST Output, “we’ll have much cleaner looking packages with a much clearer presentation of information,” he says.

Measures of success

Horace Mann established several goals for its outsourcing project, including faster time to market with notices of product and rate changes, faster collection of premiums, reducing its budget for call center operations, and greater customer retention.

Eventually, the company would like to send out a combined monthly statement showing customers all the accounts they have with the company.

The insurer is now migrating

communications for its auto line of business to DST Output. That process, to be completed next year, will be followed by communications for the property and life insurance businesses.

Since it’s still early in the process, the company does not have any quantifiable results yet, according to Yale.

However, in a statement reporting its second-quarter financials, Horace Mann reported that new annuity deposits increased 27% over the same six-month period a year earlier due to growth in single premium and rollover deposits. In addition, the 12-month retention ratio for fixed and variable accumulated annuity deposits improved 93% during the first six months of 2004.

While Yale says he can’t attribute the strong performance of the

annuity business to the new customer communications, “it certainly didn’t hurt.”

Horace Mann is beginning to monitor the number of calls its call center operations receive, as well as the purpose of those calls, to gauge what effect, if any, the new customer communications has with customers.

In addition, the company has conducted focus groups that yielded some positive feedback. And, overall, the company is pleased with its decision, even if it has just begun to scratch the surface.

“We’re going to walk before we run,” he notes. “We’re hoping to be much more consumer-friendly in what we’re sending to our customers.”

INN

Chuck Paustian is a business writer based in Chicago.



**For more information about DST Output’s insurance industry services, call:
(800) 441-7587, option 4.**