

# Guardian Life Insurance to Retain B2C Customers

**Case Type:** improve profitability.

**Consulting Firm:** Strategy& (formerly Booz & Company) first round job interview.

**Industry Coverage:** life & health insurance.

**Case Interview Question #00787:** Your client The Guardian Life Insurance Company of America is a life insurance firm founded in 1860 in Manhattan, New York City, New York. It is one of the largest mutual life insurance companies in the U.S. Guardian sells a variety of products including life insurance, disability insurance, dental insurance, 401(k), and annuities.

Life insurance market in New York City is a fragmented market with around 10 major players. The client Guardian Life Insurance is one of the leading companies in this market. The CEO of the client company is observing a very sluggish growth in the past 3-4 years and has approached your consulting firm for help.

**Question 1:** The client's profits are decreasing in the past 5 years. What factors could affect profitability?

**Additional Information:** Only provide if asked

- Revenues are decreasing at an increasing rate, costs are constants.
- The client's new customers are increasing every year, repeat customers are decreasing.

**Possible Answer:**

Suggested Approach:  $\text{Profits} = \text{Revenues} - \text{Costs}$

Revenues:

- incremental premium from new customers
- recurrent premium from existing customers
- interests from investments (if mentioned, the candidate demonstrates excellent knowledge of insurance business).

Need to distinguish between B2C and B2B segments

Costs

- operational costs
- reclaims (related to the "risk profile" of the customer base)
- branding

Suggested Solution:

Thus, the loss in the premium from repeat customers is causing the decrease in profits. In what segments (B2C, B2B or both) is this decrease happening? Assume the problem is concentrated in the B2C segment.

**Question 2:** Well now that we know the client is facing issues of retaining B2C customers. How would you suggest approaching this problem? Ask the candidate for some hypothesis to see how creative the candidate is.

For each hypothesis the candidate can assess by market research, with personal interviews with customers that have defected the client. Assume that hypothesis 3 is supported by the market research.

Hypothesis 1:

- Bad product?
- Product is too expensive compared with competition?
- Benefits of the life insurance are lower vs. competitors?
- Not enough "value-for-money"?
- Are reclaims well managed?
- Is life insurance "packaged" with other types of insurances (e.g. health) in the market? Are we packaging this product too?

Hypothesis 2:

- Are competitors targeting the customer base with specific promotions or offers?
- Do competitors offer bundles of life + health + other insurance to our customer base?

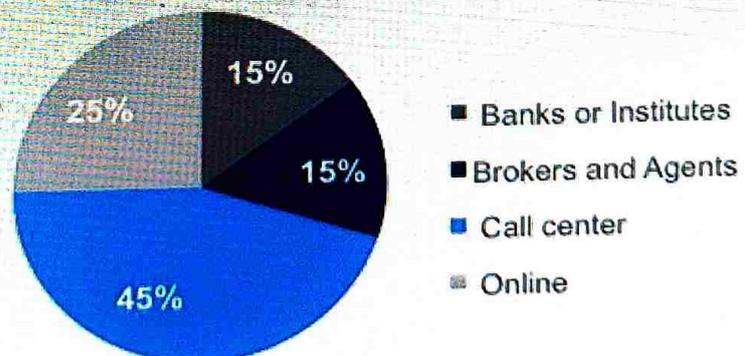
Hypothesis 3:

- Customer care channels do not retain customers.

**Suggested Approach**

Analyze the insurance B2C channels that target/care the potential customers

1. Tie up with banks or institutes
2. Brokers and agents
3. Call center
4. Online



*Policies Issues (only provide if asked)*

25% Online

15% Banks or Institutes

15% Brokers and agents

45% Call center

**Suggested Solution:**

Call center approves maximum policies and most of these customers do not continue with the policy in the subsequent years.

**Question 3:** What would you recommend the CEO of Guardian Life Insurance Company to tackle this issue?

**Suggested Solution:**

- Leverage the results of the market research: why customers are defecting us?
- Re-design the customer care process. What are the elements that upset our customers the most?
- Initiatives for the agents based on number of clients retained and not just converted
- Workforce quality: agent turnover in call center? Salary is adequate? Employees satisfaction is high /low?
- Customer loyalty initiatives: decrease premium for loyal customers, offer promotions or discounts in other products.