

Half Birthday Ratings – Money Marketing - April 2007

Hands up if, in your household, you celebrate half birthdays or even quarter birthdays for that matter. No? We don't in my house either.

The notion of marking the passing of a half or quarter birthday is quite ridiculous really, unless of course you are involved in pricing age related risks like life and health insurance. Then the thought of an age related risk being the same for 364 days a year and then changing on the 365th is just as ridiculous.

Now even actuaries can't really price age related risks down to a daily basis, or perhaps they can, but they don't. Instead they have plumped for what have become known as half and quarter birthdays which is fine, right up until when you have to explain to a customer that it is the reason why the premium they were quoted isn't actually going to be the one they end up paying. I can tell you it isn't an easy conversation to have, whether cynical about insurance or not, most customers just chalk it up as another reason to be wary of, and mistrust, the insurance industry generally.

As my colleague Rob Quayle points out "It isn't as though the insurer didn't know the customers date of birth when they quoted, is it!"

Because Rob's background is more 'general' than 'life' insurance, his view is that we simply need an approach akin to the way motor insurance companies keep their customers happy. The 'simple' idea he has is to offer a period of grace between quote and acceptance. Now offering some sort of 3 month 'guarantee' simply wouldn't work for us because this could easily be mis-understood by customers and lead to even greater problems when, for good underwriting reasons, the premium has to change anyway. However basing a customers acceptance terms on the age at application (with the caveat that acceptance is issued within 'X' months of the application date) seems an entirely sensible approach and one that can be easily coded and therefore easily implemented and applied.

Rob is so adamant that this would remove a lot of unnecessary and difficult conversations with customers that he has recently put this idea to all the insurers we work with. So will the insurers take this one small step towards customer satisfaction? Watch this space and why not add your voice to ours and tell your local rep that you too would like to see this change.

When discussing this with Rob I couldn't help but think 'Why hasn't anybody thought of this before?' and of course 'Why didn't I think of that?'

I take solace in the fact that Rob is in day-to-day charge of an operation that will, in May, deal with 9,000 new customers. Which when multiplied by a potential 3 minutes each, explaining why their premium has changed for the silliest of reasons, could, in the nightmare scenario, add up to a whopping 27,000 minutes (56 'man' days) work for this month alone. And of course next month we are expecting another 9,000 customers to apply using our services, so you can understand why, for our Operations Director; this is something which needs tackling sooner rather than later and preferably before his next quarter birthday party.

Now before all you number nuts start rationalising that such a step 'would lead to everyone's rate having to be increased' to accommodate this change well, the increase is tiny and anyway, isn't quoting the premium you reasonably expect a customer to actually pay the right thing to do!?

By Richard Verdin, Sales & Marketing Director