



EQUIFAX



Case Study

Insurance fintech combats churn and increases profitability by using financial durability to better qualify prospects



CHALLENGE

Everyday Life was experiencing costly high churn and elevated non-payment of initial fees amongst new life insurance policyholders.

SOLUTION

Financial Durability Index™ enables insurance provider to better qualify and provide appropriate policy recommendations to prospective consumers based on their likely ability to meet financial obligations.

RESULT

The provider was able to increase initial payment rate by 30%, supporting reduced churn and increased profitability.

Background

Everyday Life Insurance, a growing fintech, strives to simplify the life insurance process and make coverage an option for all families across the United States. Their online, self-service platform enables consumers to easily evaluate their life insurance needs and quickly obtain coverage from a selection of carriers at a reasonable price.

Challenge: High churn and initial non-payment

Everyday Life was struggling with costly high churn and non-payment of initial fees amongst new life insurance policyholders. The company knows that making the first payment is a major indicator of customer quality and profitability. They shared that consumers who did not make their first payment were typically facing financial difficulty, making them an increased risk for terminating their policies.

Everyday Life uses publicly available data to help qualify new customers and inform its product recommendations. However, it found that this data could not effectively differentiate prospective customers that were likely to make initial payments from those that would not.

The company wanted to find new ways to better qualify consumers as they explored various policies and then have its platform deliver more targeted product recommendations. They needed to better identify consumers that would initiate new policies and make initial payments, with the goal to reduce churn shortly after new policies are issued.

Solution: Financial Durability Index identifies prospective customers that are more likely to make their first payment

Everyday Life worked with Equifax to analyze a portion of its customer base using several Economic Insights measures. These measures help companies differentiate prospects and customers based on estimated household income, affluence, spending power, credit, and financial durability.

Everyday Life found that Financial Durability Index yielded immediate insight about its customer-base. The index offers a 1-1000 rating of a household's ability to keep spending, plus meet current and future financial obligations, even when under financial stress. The higher the index score, the more likely that the household can meet financial commitments. About half of the U.S. population indexes above 500, and about half indexes below 500.

The analyzed population revealed that Everyday Life's customer-base overall skewed in the bottom half of the U.S. population in terms of financial durability.

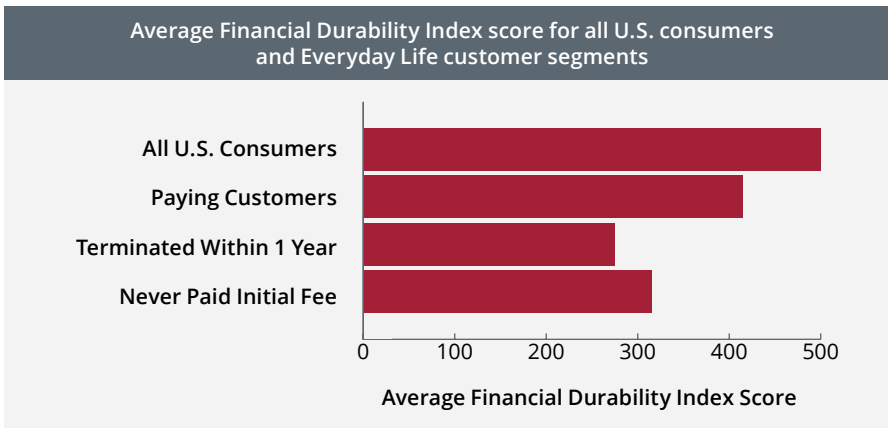
- Paying customers had an average score above 400.
- However, customers that terminated quickly after purchasing had an average score of 270 while customers that never paid their initial fee had an average score of 320. These customer segments likely have a lower ability to meet financial obligations compared to paying customers.



"We can now better focus on quality over quantity. With more insight on the financial profile of prospective customers, we can more confidently market to leads that are likely to become profitable.

We were pleased to see that initial payment rates for new policies are up 30% compared to one month prior. If we keep this up, we expect that profitability will go through the roof."

Jake Tamarkin,
CEO and Co-Founder



Results: Initial payment rates are up 30%

Jake Tamarkin, CEO and Co-Founder, surmises that the divergence in Financial Durability Index scores between paying and terminated/non-paying customers is contributing to the company’s churn problem. “We know that a leading indicator of customer quality is if a new customer makes the first payment. The analysis clearly showed that consumers with lower Financial Durability Index scores were more likely to miss that first payment and more likely to quickly terminate.”

Tamarkin and team decided to integrate a new rule into the company’s policy recommendation engine to filter consumers with low Financial Durability Index scores. Everyday Life works with partners to ensure these low scoring consumers are appropriately serviced, helping the company to recoup some of its acquisition costs and monetize low scoring leads.

The initial results are encouraging: Initial payment rates for new policies are up 30% compared to one month prior. Tamarkin advised, “If terminated/non-paying customers can be reduced by 10-20%, then profitability will go through the roof. Financial Durability Index can help Everyday Life achieve this goal.”

“With more insight on the financial profile of our prospective customers, we can better focus on quality over quantity,” continued Tamarkin. “Paying customers are generally profitable customers. By quickly redirecting prospective customers that have lower financial durability scores — and are less likely to make that initial payment — to our partners, we will be able to increase our percentage of quality, profitable customers. The amount of time it will take to achieve our goals in terms of just volume will be reduced. Plus we gain more knowledge about prospective customers so that we can match them with the right insurance policy for their needs.”

Tamarkin has other ideas on how Everyday Life can integrate Financial Durability Index and other economic insight measures into its business model. For example, the company hopes to use economic insights measures to more quickly evaluate the quality of leads that it acquires from partners. While it typically takes six months to determine if a partners’ leads result in profitable conversions, Tamarkin thinks that it can speed up this process with Financial Durability Index and other measures. “With these additional insights, we can market more aggressively and grow our confidence that we are converting quality leads. We are looking forward to exploring additional opportunities to leverage consumer insights from Equifax in the coming months.”

equifax.com/business

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